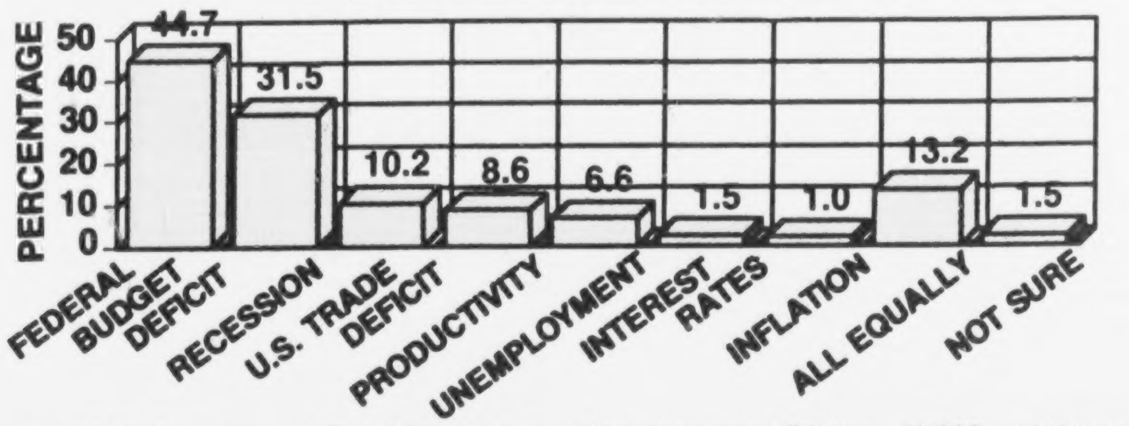
INDUSTRY STATS

Manufacturers voice their concerns about where the U.S. is headed

Which of the following factors (choose one) do you feel is the most important facing the country?



Source: 1992 Government Relations Survey, Manufacturers' Edition, AHMA *NHCN* chart

As the presidential conventions approach and the campaigns heat up, the candidates need to view the country's $362 billion federal deficit as its most pressing problem, according to hardlines suppliers who earlier this year responded to a survey from the AHMA.

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COMMUNITY SERVICE

Glidden named Ohio Friend of Education

CLEVELAND — The Ohio Chapter of the National School Public Relations Association has selected Glidden as a 1992 Ohio Friend of Education.

The paint company won the award for its involvement over the past four years with the local Strongsville School District. Specifically, Glidden offered a tripartite program—one phase of which had scientists working with teachers from the Allen Elementary School to plan hands-on science and math activities for students.

Glidden also brought teachers to the company's facilities here to learn the direct relationships between general science and industry, and presented guest lecturers to help teachers make more effective science and math presentations. Lastly, Glidden sponsored the Allen School's participation in a national science fair called the Science Olympiad.

Each year, the statewide association awards companies that help an Ohio school district achieve one of several national educational goals established by the White House.

Janet Voinovich, Ohio's First Lady, presented the award to Glidden research manager Rob Erich, who expressed his pride in the level of participation he received from his company.

"We were originally going to make this a very low-key project," said Erich. "But once the company got wind of it, 70 of a total 265 employees got involved."

Is your company performing a community service that merits attention? National Home Center News *encourages you to write us with the details, so we can share your efforts with the rest of the industry. Send all information to John Sinisi, Associate Editor,* National Home Center News, *425 Park Avenue, New York, N.Y. 10022.*

NEWS BRIEFS & NATIONAL NEWS

HomeBase to expand with Tulsa store

TULSA, Okla. — HomeBase will continue its aggressive expansion plans with the opening of its first Oklahoma store this fall.

The 117,410-square-foot Tulsa warehouse, with a 20,000-square-foot nursery, is the Fullerton, Calif.-based company's only planned store at present in this state. Tulsa was recently deemed the most "typical" city in the U.S., based on an assessment of 1990 Census Bureau data by Donnelly Marketing Information Services for *American Demographics* magazine.

In addition to this store, HomeBase will strengthen its dominance in the Colorado market with the opening of its fifth store in Littleton.

This warehouse will cover 103,904 square feet and will have a 15,000-square-foot nursery.

HomeBase currently operates 80 units distributed among Arizona, California, Colorado, Idaho, Illinois, Nevada, New Mexico, Ohio, Oregon, Texas, Utah and Washington. The chain plans to have 87 warehouses in operation by year's end.

COSMOPOLITAN
Tim Robbins, a '90s Kind of Star
Best Places to Meet Men Who Are Not Creeps

Cosmo's June cover

Home centers the new hot spot for singles

NATIONAL REPORT — Looking for a good single man?

Maybe you should try wandering into your local hardware or home improvement store. According to an article in June's *Cosmopolitan* magazine, hardware stores/home centers are one of the 10 best places to meet a man.

As more and more women become handy with tools, they are spending more time in home improvement stores looking for products needed to tackle their own projects, the article says.

And as women shop for merchandise, they should also shop for men.

"The majority of customers are still men. Most are very willing to share their knowledge and give you some practical hints about successfully completing your project."

It continues, "You'll find many creative and dynamic types skimming the shelves in home improvement stores."

A K mart unit may soon be up for grabs

TROY, Mich. — K mart may spin off one of its growing specialty chains in an attempt to boost shareholder profits.

According to published reports, chairman Joseph Antonini said a spinoff is possible, although nothing has been finalized.

In addition to San Antonio-based Builders Square, K mart owns Pace Membership Warehouse, Payless Drug Stores, Waldenbooks, the Sports Authority and OfficeMax.

The most likely spinoff candidates would be Waldenbooks and PayLess Drug Stores because these chains are the most mature specialty operations, the reports stated.

Builders Square's sales rose 14 percent to $558 million during the first quarter of 1992.

Contractor's Warehouse moves south, rattles competition

by Robyn Taylor

LOS ANGELES — Grossman's Western Division, a relatively minor player in Southern California, has ruffled the feathers of two giant competitors with a media campaign that compares the prices of its Contractors' Warehouse units favorably to those of HomeBase and Home Depot.

About 14 TV and radio spots were aired early this month primarily to trumpet that Grossman's was changing the name of two stores—in La Habra and Pomona—to Contractors' Warehouse, the name it calls its stores in Sacramento, Calif., and Reno, Nev.

"We have found that contractors identify better with the Contractors' Warehouse name, and the concept is working extremely well," said Frank Lynch, Grossman's divisional president.

The company does not plan to convert its other four Southern California stores at this time, but eventually all the Western stores will probably go by the Contractors' Warehouse name, Lynch said.

Contractors' Warehouse promotes wholesale prices to contractors and to those who like to shop like contractors. And its new ads compare the stores' low prices with higher-priced items sold in HomeBase and Home Depot. The items compared include bathtubs, wire, piping, patio doors, steel entry doors, sinks and lumber.

These ads reportedly infuriated HomeBase officials, who contend that the advertising compares items that are not alike in an attempt to mislead the public.

"There's nothing wrong with price comparison as long as it's true," a company spokesman said. At presstime, HomeBase was still pondering how to respond to the Grossman's ads.

During the first week of June, a Grossman's Western division spokesman said the company had not received any complaints from its competitors.

Move to contractors

A year ago, Grossman's Western division opened its first Contractors' Warehouse and, throughout the summer, blasted price comparison advertisements throughout the Sacramento region.

The second Contractors' Warehouse opened in the Reno market in March. The new store includes 25 percent more stockkeeping units than the Sacramento unit. Lynch said the additional skus were added in the La Habra and Pomona stores as well.

"We took the Reno format and applied it to the other stores," he said.

Although the Southern California Contractors' Warehouses don't offer any different products lines than the four remaining Grossman's warehouses in the region, they do offer a better selection of every category, including more lumber, paint, electricals and hardware, Lynch said.

Evolution means innovation at Home Quarters

Doczi keeps his eye on customer, and company on its toes

Frank Doczi, president and ceo of Home Quarters Warehouse (HQ), spoke recently with senior editor Elizabeth Brent at the opening of HQ's first store in Cincinnati. Doczi discussed how the company is evolving as it expands into new geographical areas, like the Midwest.

As you move into the major metro markets, how has the HQ concept changed?

We now need a bigger box to handle the volume. This store is 103,000 square feet and has the biggest lawn and garden department, at 40,000 square foot. With [customers making] multi-unit buys, we need that kind of space to store product.

We're now serious about selling projects; we've changed the position of kitchens and added more displays and brands. We've enlarged the answer desk and increased the millwork display to build special-order business and become a serious market player in flooring.

What new challenges do these markets bring?

We're now looking at new competitors we've not faced before, like Central Hardware. But I like the challenge of new competition, and grappling with it. It's one of the joys of retailing that it never remains static; it's an ever-changing landscape and keeps you youthful.

But it's management's responsibility to provide a level playing field [on which to compete].

How does HQ provide this level playing field?

The bigger box . . . and providing new opportunities that we've not taken advantage of yet, like installed sales, a program our competitors have. We'll start that this summer in the Virginia and New England markets.

Where do the professionals fit into all this?

We now have a commercial credit capability so we have a better feel for specifically who they are and how many are buying from us. We're building that side of the business [from its current 10 percent of total sales] along with installed sales.

What do you see as the main challenge of the '90s?

One thing I am absolutely sure of is if you are going to make it in the '90s you better be customer-focused. You've got to listen to the customers today because they are the boss.

I think I'm as focused on it as I've ever been in my career. I'm absolutely 100 percent flexible in my mind to do anything today if I perceive the customers want it.

(Continued on page 66)

Photo courtesy of Home Quarters Warehouse Inc.

Frank Doczi

Terry Lumber tries new tack in L.A.

Kitchen & bath center a prelude to design center

LOS ANGELES — Terry Lumber Co. unveiled its new kitchen and bath showroom at a contractor breakfast that it recently held in its first location within the city itself.

The expansive showroom, which is housed in a separate building behind the store on San Fernando Road, includes eight kitchen and bath displays, said general merchandise manager Carmen Fraser.

Fraser said the second building was used as a showroom when Terry Lumber acquired the former Fleming Lumber last summer. Since then, the company has worked on developing the department and now employs two kitchen and bath designers who work by hand.

Although the 16-unit chain has a tiny kitchen and bath department in its Lancaster, Calif., store, the showroom here is an entirely new venture for Terry Lumber, Fraser said.

Right now, the company is working on the second evolution of the showroom—an upscale design center that would include the millwork department as well. The store currently carries windows and doors in the main store, but Fraser said the area will soon be part of the kitchen and bath showroom.

So far the company has done

(Continued on page 66)

U.K. agency takes aim at paint solvent pollution

LONDON — The Department of the Environment here recommends that DIYers refrain from painting the outside of their houses with solvent-based paints during hot, sunny days.

This is just one of the suggestions made in a new booklet, *Summertime Smog, how to help prevent it*, that the department published on May 23.

The booklet gives practical advice, which, if followed by a sufficient number of people, it says will help to reduce serious episodes of ground-level ozone.

"As individuals, there is much we can do to help tackle the problem of photochemical smog," said Environment Minister Lord Strathclyde, in a prepared statement. "Summer smog forms in hot sunny weather as a result of the action of sunlight on certain gases, produced in the main by motor vehicles."

Among these suggestions are 12 causes of action, six governing the use of the car and six concerning DIY projects. The guidelines recommend using water-based or low-solvent paints, glues, varnishes and wood preservatives. They also suggest putting off decorating jobs when poor or very poor air quality is forecast. Consumers who insist on using solvent-based products are asked to keep the lid on the can as much as possible.

"The matter needs to be put into proper perspective," said Chris Harris, UK business manager for Britain's leading paint supplier, ICI Paints. "About 2 percent of the pollution is caused from volatile organic compounds, while between 24 and 27 percent is due to emissions from cars and lorries [trucks]."

Harris added that his company has set 2000 for the complete abolition of the production of solvent-based paints.

Correction

Jones-Blair Co., a paint distributor based in Dallas, has provided *NHCN* with updated information about its sales. The company last year did $28,647,000 in sales to its own 34 paint stores and other dealers, 0.6 percent down from its 1990 sales to retailers, according to chief financial officer Paul Frederickson.

A typographical error led to reporting the wrong sales for Leaner Home Center, a five-unit retailer based in York, Pa. Leaner's revenues in 1990 and 1991 were $8.7 million, not $87 million.

NAILS ARE US!
126 VARIETIES
126 VARIETIES

NHCN photo

Part of the hardware power center in Channel's new unit, the nail assortment consists of 126 skus of bulk nails.

A brand-new Channel

Warehouse store alternative first to open in four years

BRISTOL, Pa. — Channel Home Centers opened its first new store in four years on June 6, just three months after it emerged from bankruptcy.

The compact 42,000-square-foot store, just northeast of Philadelphia, is designed as an alternative to warehouse shopping, emphasizing convenience and service.

The 12-foot-high perimeter steel racking helps pack in 17,000 skus.

"Unlike other home centers that want bigger stores, we're just the opposite," said Joe Nusim, president and ceo. "We are definitely contracting ours."

Channel plans to open three more stores this year, between 15,000 and 45,000 square feet, and some like this one will be located in buildings that previously were supermarkets. The stores will open in Channel's existing markets, in New Jersey, Philadelphia and on the periphery of New York City.

(Continued on page 66)

The Elusive Consumer

15 18
32
7
WALLCOVERING
PAINT
GARDEN HOSE
BULK PACK

NHCN photo

It's easier to nail down a blob of mercury than to pigeonhole today's consumer, who is at once demanding, fickle and just plain cryptic.

In an increasingly diverse society, dealers are likely to hone in on those market segments—women, avid shoppers and spenders, skilled DIYers and pros—that they can at least rely on for sales until the overall consumer market sorts itself out and becomes more readable.

Dealers face new challenges as the 'typical' home center customer erodes

NATIONAL REPORT — Joe and Agnes Gilberti would appear to be typical home improvement customers.

Their four kids have flown the coop, leaving Joe, an electrician in his 50s, and his wife Agnes, who sells cosmetics door-to-door, more time to spend working on the six-bedroom Tudor home in Staten Island, N.Y., they bought five years ago, a home appointed with the finest brass, porcelainand hardwoods.

But the upscale image of this couple their home projects doesn't begin to hint at the complexity of their shopping habits. For example, the Gilbertis say they buy their clothes at K mart and their groceries at the Price Club. The couple goes to Sears for tools, but Home Depot is their store of choice for building products.

In fact, the Gilbertis are "typical" of a consumer universe that has become inscrutable for retailers and suppliers. Unlike the virtually homogeneous market of the 1950s and 1960s, today's consumers are a fragmented, chaotic bunch, wanting everything for nothing, and sometimes are even hostile to the very stores they shop.

Consumers of home improvement products reflect a diverse, pluralistic society that can no longer be defined with precision and is unpredictably mutable. As a result, dealers must pay attention to changing demographics and basic consumer traits.

The post-mass market era

Consumers of home improvement products reflect a diverse, pluralistic society that can no longer be defined with precision and is unpredictably mutable.

It's a free-for-all out there. But within all this confusion, some futurists and market watchers suggest basic consumer traits they believe all retailers will have to address:

- Consumers' value systems have changed radically, if not irrevocably, over the past few years.

Barbara Caplan, a vice president for the market research firm Yankelovich Clancy Shulman, sees a more self-confident consumer who now views "status" in terms of personal satisfaction, and buys products that are important to him or her alone. That purchase can be "emotional," which makes marketing all the more difficult;

- Those buying inclinations, though, are being colored and impacted by consumers' finally-coming to grips with their personal indebtedness. As a result, consumers "simply don't trust or like retailers anymore," says futurist Carol Farmer. "They blame retailers for their current debt condition, and they don't plan on coming back until they've paid for what they've already bought."
- The overall demography of the U.S. population is changing rapidly, and dealers must change along with it to survive. Asians and blacks, for example, accounted for two-thirds of the U.S. population growth over the past 10 years, according to *American Demographics*; one-quarter of that growth was in rural and suburban areas. The Hispanic market is already manifesting its importance.

These groups, though, are "wild cards" for many retailers, who haven't really targeted them as individual consumer sectors.

Three DIY groups emerge

Even with the death of the mass market, dealers still have to come up with a strategy to sell to what remains.

Home center operators say the future is now, and have confronted the consumer chaos with the recognition that their stores have to offer a strong combination of low prices, broad product selection and reliable service. If any of these three pieces is missing, retailers aren't in the ball game competitively.

Three out of every 10 DIYers are renters, compared with 40 percent of non-DIYers.

Source: Deloitte & Touche

Among consumers who do home repair regularly, a surprisingly high 8 percent live in households that include their parents.

Source: Deloitte & Touche

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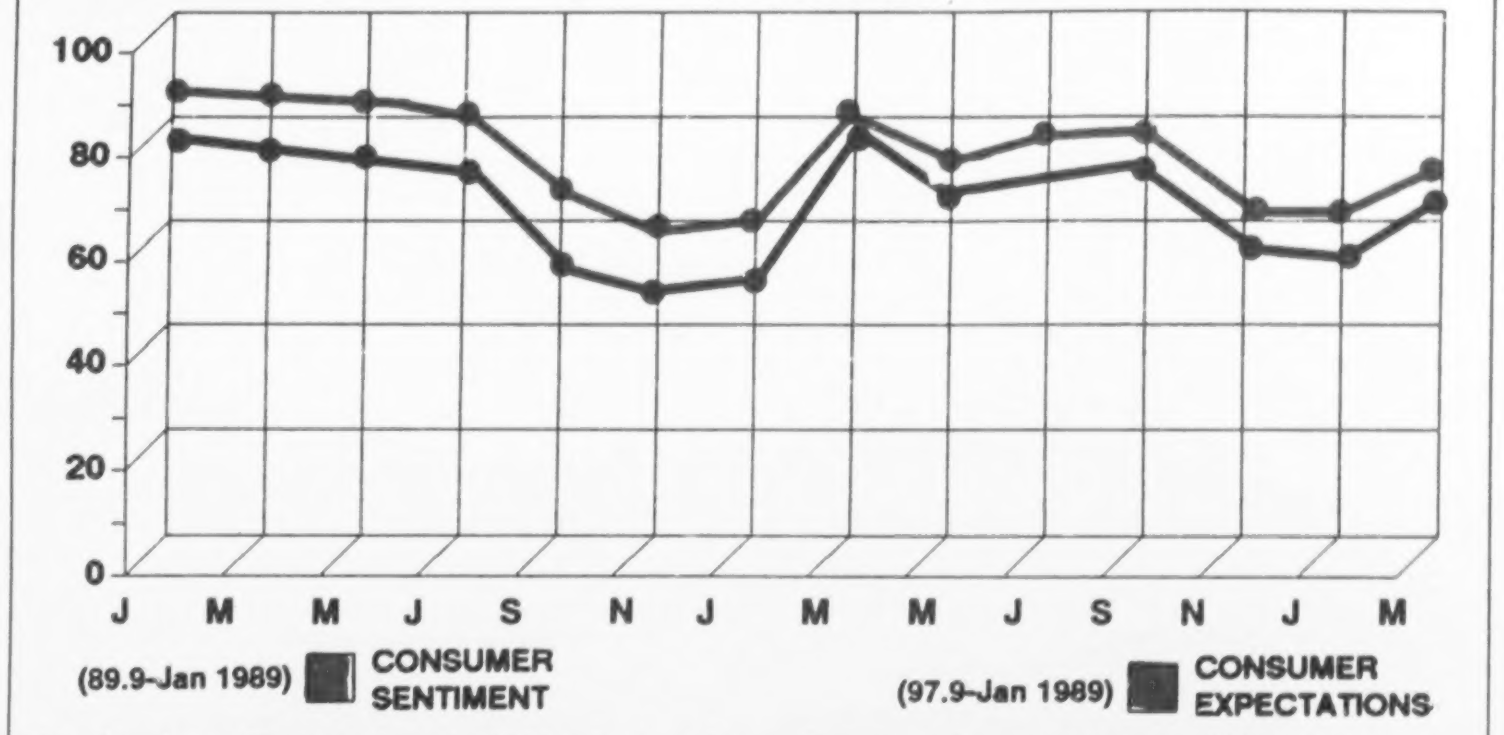
Consumer confidence inches up ...

(Jan. 1990–March 1992)

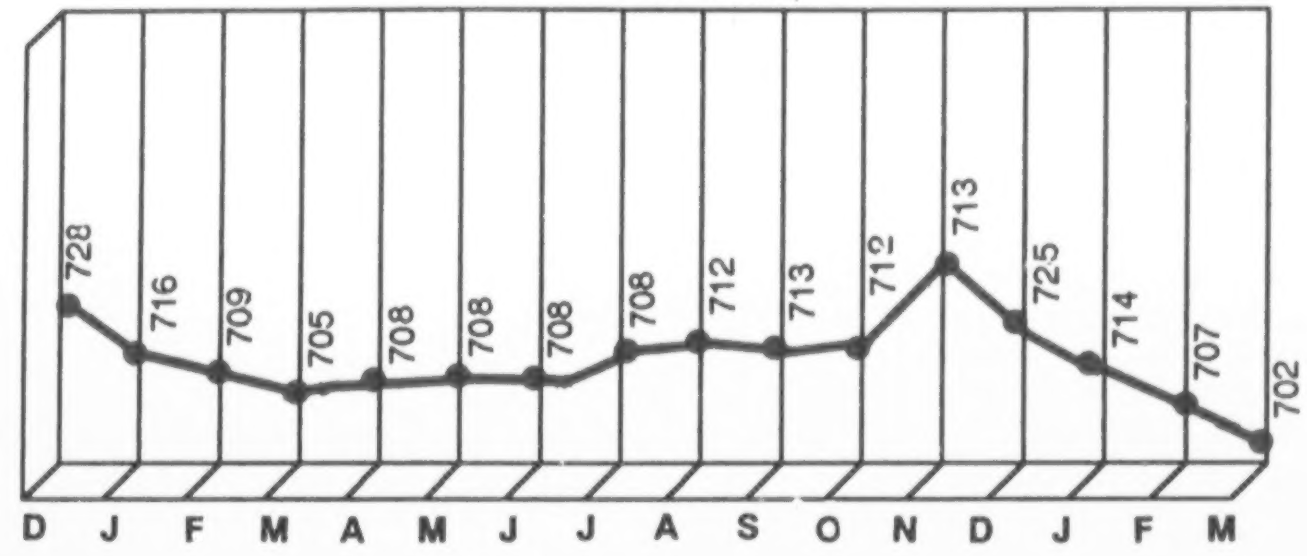


100= Sentiment/Expectations in 1966 Source: Survey Research Center University of Michigan

...people are paying off their debts...

Consumer Credit*

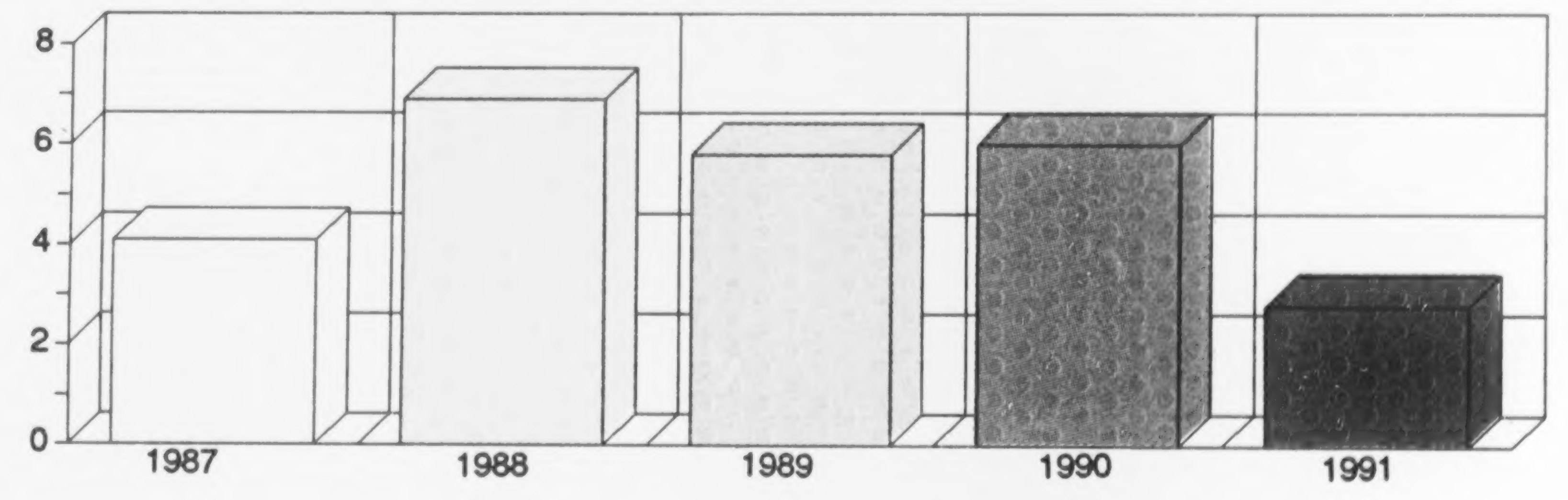
(In Billions of Dollars)
(Dec. 1990–March 1992)



*Excludes home equity loans, mobile home loans and mortgages; includes auto loans and credit card debt. Source: Federal Reserve. *NHCN* chart.

... but disposable income falls off

annual % growth rate per capita disposible income



Source: Bureau of Economic Analysis Commerce Dept. *NHCN* chart

Consumer attitudes about the general economy play a major role in their willingness to buy products. Despite still-high unemployment levels (7.5 percent nationally in May, 9 percent in New Jersey) and a federal deficit nearing $400 billion, consumers are showing signs of feeling a little better about their future.

One sign was the strong first quarter sales and profits many dealers reported. Even though the spring has been less than robust, most retailers believe the rest of 1992 will outpace 1991. *The New York Times* reported on June 4 that corporate executives even expect a surge in hiring in the latter part of the year.

Even though consumers' disposable income still appears to be soft, consumer debt, according to Federal Reserve data, has been falling since last December, another good sign for the overall economy. However, a reduction in revolving credit is usually a mixed blessing for retailers, especially home centers that promote bigger-ticket projects often paid for with plastic.

Home improvement dealers can also take some solace in the fact that, amid all this consumer cloudiness, a few rays of light, in the form of targetable consumer markets, have broken through.

The avid DIYer, the female shopper and the professional remodeler are the three customer groups that appear most likely to form the foundation for home improvement retailers' sales in the coming years.

This in no way suggests that any of these groups can be perceived as a bloc, or that their respective individual components are less than the whole. But the identification of these groups, no matter how imperfectly defined at the moment, at least gives dealers something on which to hang their marketing, merchandising and operations plans.

Forget store loyalty

But in refining those plans, dealers must factor in any number of variables.

One of the most important is the fact that consumers don't favor specific retail outlets the way they used to. A survey of more than 250,000 consumers conducted by the accounting and marketing firm Deloitte & Touche last year found that nearly three-fifths of all DIYers said they had "no preference" where they shopped.

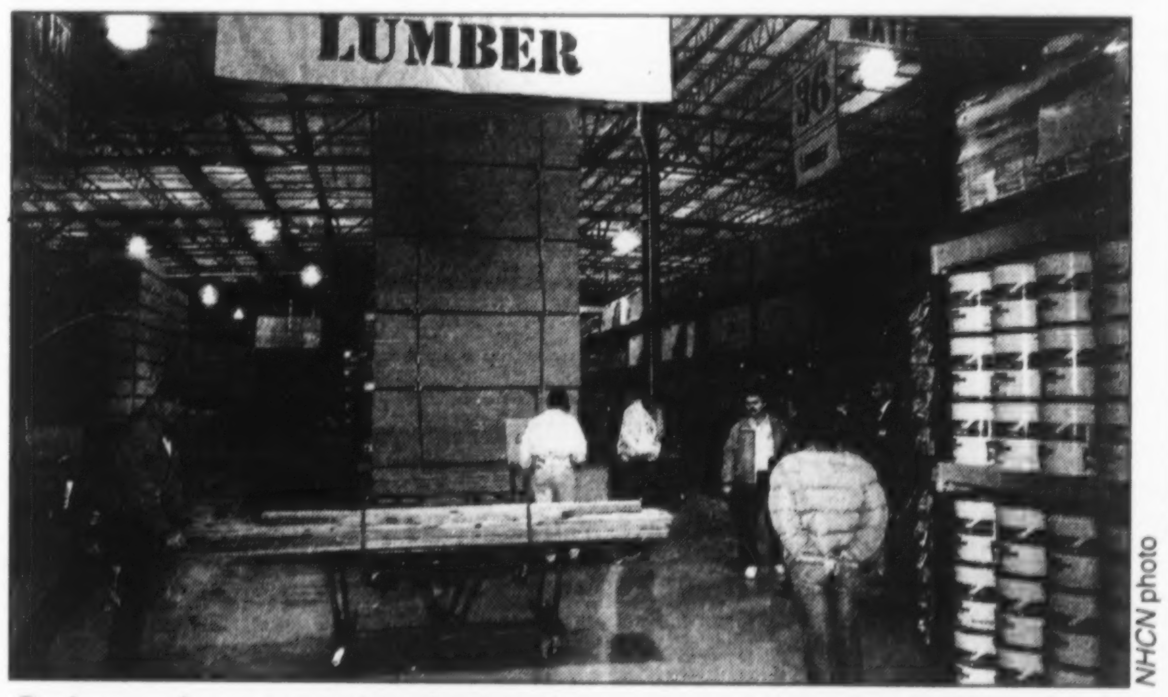
"The definition of loyalty in America today is the absence of something better," intones Farmer. This warning is particularly relevant to home centers which, by virtue of the product categories into which they've expanded, find themselves in competition with everyone from Costco, the membership warehouse club, to Crate and Barrel, the home decor specialty dealer.

A consumer survey by the accounting and marketing firm Deloitte & Touche last year found that nearly three-fifths of all DIYers said they had 'no preference' where they shopped.

Second, the target audience for home improvement merchandise appears to be getting a bit younger. Peter Francese, the publisher of *American Demographics,* reports his magazine's recent research into consumer expenditures found that the largest age group, 35- to 45-year-olds, spends $93 a month on home improvement products. (Those 45 to 54 years old typically spend $70 a month.)

"In the future, we plan to step up our advertising for youth, and will hold more DIY clinics to better acquaint younger people to the world of how-to," says Greg Fuller, vp-merchandising for All American Home Center, the 145,000-square-foot independent in Downey, Calif. Fuller thinks those clinics could be directed mostly at 21- to 35-year-olds.

All American is also beefing up its bilingual signage, and has at least one Spanish-speaking person in every department to serve its Hispanic customers. Dealers across the nation will also have to find an effective way to address as individuals their minority customers, who are becoming an increasingly large swatch in the fabric of the crazy quilt that is currently the consumer market.



NHCN photo

Sales of power tools and accessories are expected to grow faster than any other product category. Growth in lumber sales will be more modest.

Source: Frost & Sullivan

Information Source

For more information about the various research used in this Consumer Attitude Study, please contact:

- Christine Donovan, Deloitte & Touche, 1633 Broadway, New York, N.Y. 10019, (212) 492-2890
- Diane Radenbaugh, Gold Bond Building Products, 2001 Rexford Road, Charlotte, N.C. 28211, Phone: (704) 365-7300; Fax: (704) 365-7222
- Anne Gilroy, Frost & Sullivan, 106 Fulton St., New York, N.Y. 10038 Phone: (212) 233-1080; Fax: (212) 619-0831
- Judith Riggs, Home Improvement Research Institute, 400 Knightsbridge Parkway, Lincolnshire, Ill. 60069, Phone: (708) 634-4366; Fax: (708) 634-4379
- Cynthia Adams, *Better Homes & Gardens*, 1716 Locust St., Des Moines, Iowa, 50309-3023, (515) 284-3009

DIY market broad-based, elusive

Often young and affluent but lacking store loyalty

A huge cross section of the American public says it does home repairs.

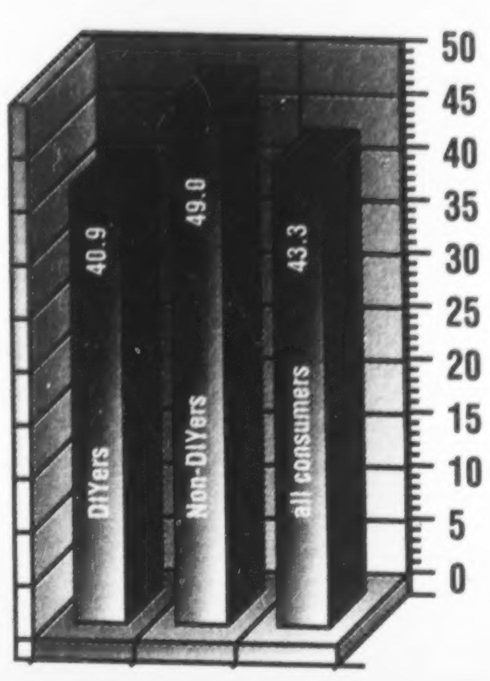
A recent market analysis based on interviews with 266,742 consumers shows that nearly three-quarters of those polled engage in some kind of home repair, either regularly or occasionally.

The study, conducted last year and released this February by the TRADE Retail and Distribution Service Group of Deloitte & Touche, also found that these DIYers are more affluent, bigger spenders, less likely to live alone and, by and large, a bit younger than non-DIYers or the population in general.

Some of the more intriguing findings from this study include the fact that, among the nearly two-fifths of consumers who do repair work on their homes regularly, 29 percent of this subgroup are renters and 8.1 percent live with their parents.

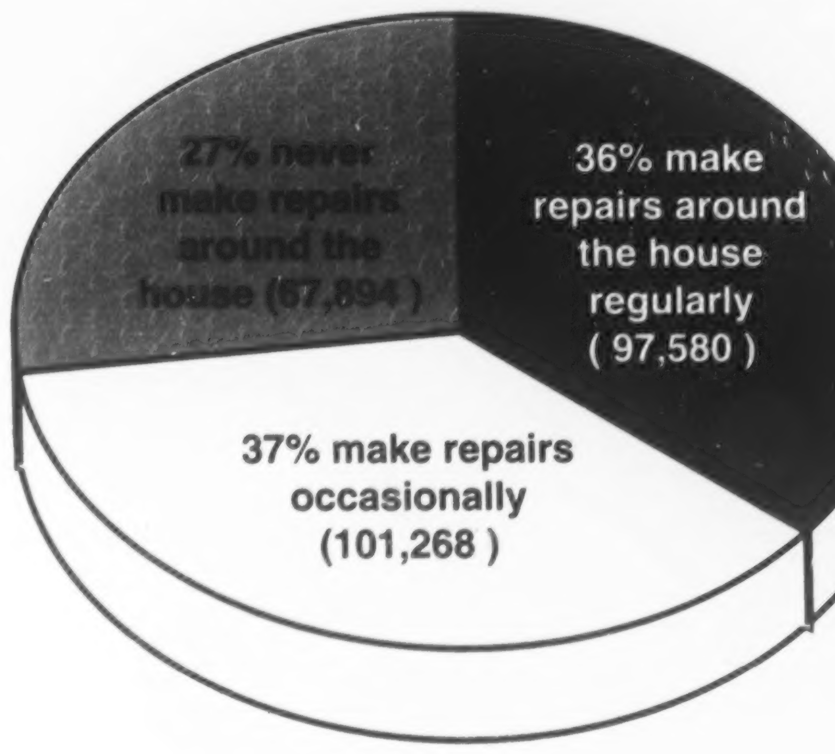
Average Age

(years)



DIY CONSUMER UNIVERSE

(of 266,000 consumers surveyed)



Source for all charts: Deloitte & Touche Trade Retail & Distribution Services Group
NHCN charts

Shopping Preference Among DIY Consumers[1]

Type of Outlet	Percent
No Preference	59.0
Home Improvement[2]/ Hardware Stores (Home Depot)	21.0 (5.5)[3]
Sears	7.4
Smaller Hardware Stores	6.3
Ace Hardware	1.8
True Value	0.9
Other[4]	3.6

[1] Percentage of 198,848 consumers who said they regularly or occasionally do home repairs.
[2] Includes membership warehouse clubs.
[3] Share of total home improvement/hardware store market.
[4] "Other" consists of mass merchandisers, including K mart and Wal-Mart.

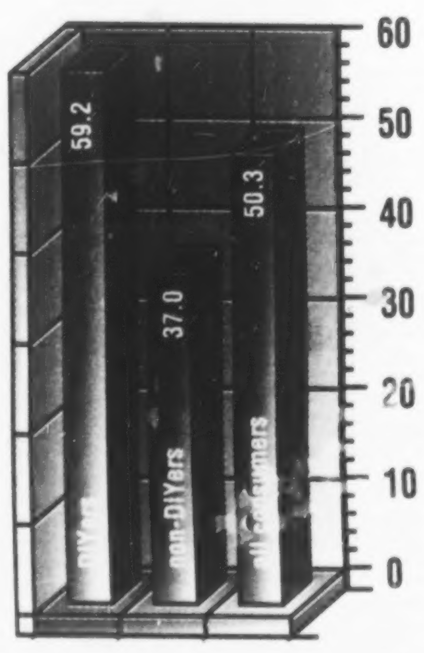
Source: Deloitte & Touche *NHCN* chart

Three out of every five DIYers are married (compared with about half for the total population), and more than 28 percent are 25 to 35 years old.

The study found that DIYers earn about $1,100 more annually than the average consumer and $5,600 more than the average non-DIYer. People with annual incomes between $30,000 and $75,000 are more likely to be DIYers, too.

Married

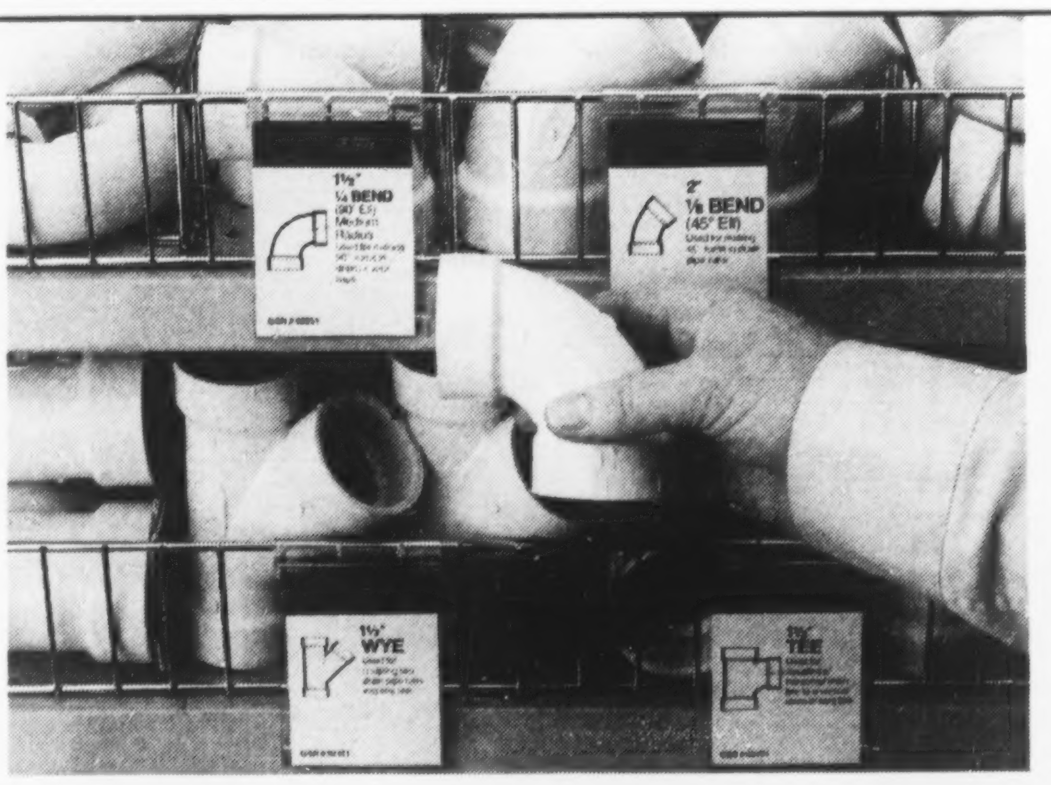
(% of total)



However, perhaps the most significant finding of the Deloitte study was that, although nearly one-third of the DIYers said they preferred to shop in a home improvement center for home repair products, nearly three-fifths—57 percent—claimed they had "no preference" about where they went. From that finding, one could infer that price dictates where consumers decide to shop.

On the other hand, just less than 6 percent of the DIYers polled said they shopped in Home Depot, a percentage that roughly corresponds with that chain's market share. Roughly 2 percent identified either Hechinger or Builders Square as their shopping venue.

About three-quarters of the regular DIYers who shop Home Depot do so specifically because of price, compared with 68 percent of those who do home repair occasionally. Sixty-five percent of the regular DIYers said they shopped Home Depot for selection.



They can't make the right choice if the choice isn't right.

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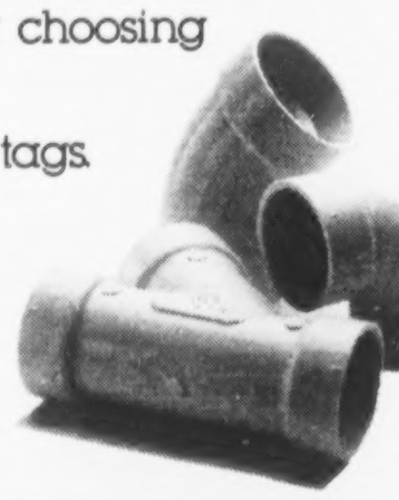
- Part drawing for visual identification
- Usage explanations for choosing the right part.



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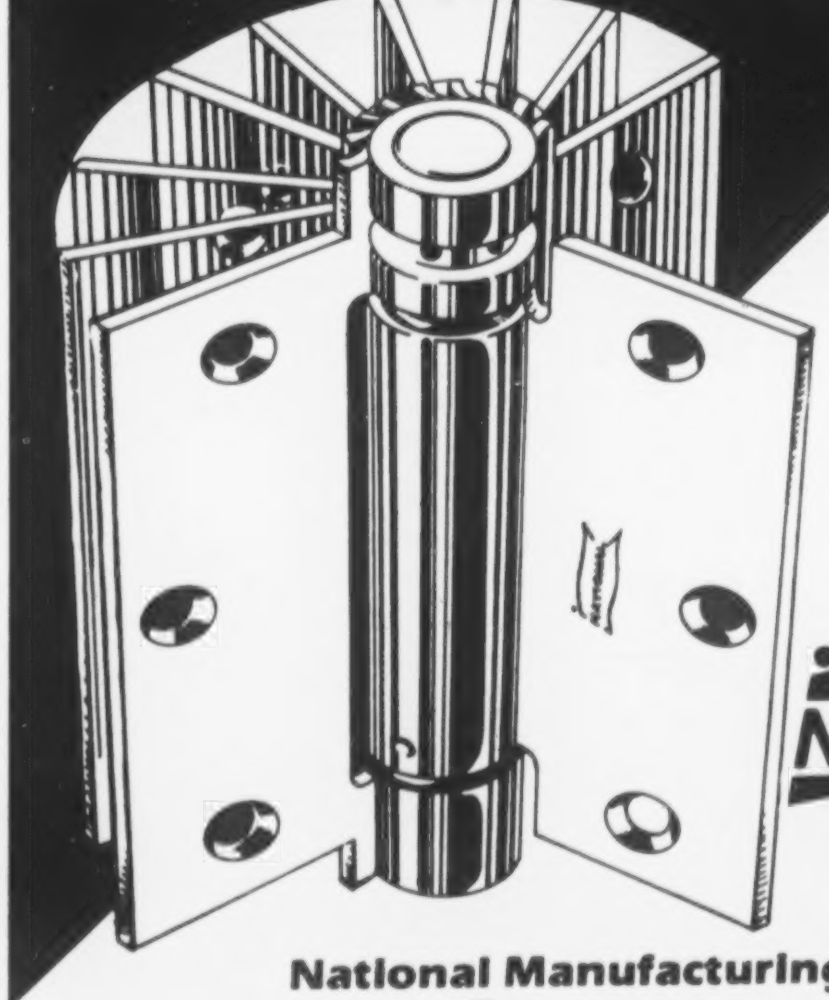
Circle 020 on Reader Service Card

Spring Hinges



National's Spring Hinges are creating new sales for retailers by offering consumers the ultimate in convenience—automatic closing doors.

NATIONAL
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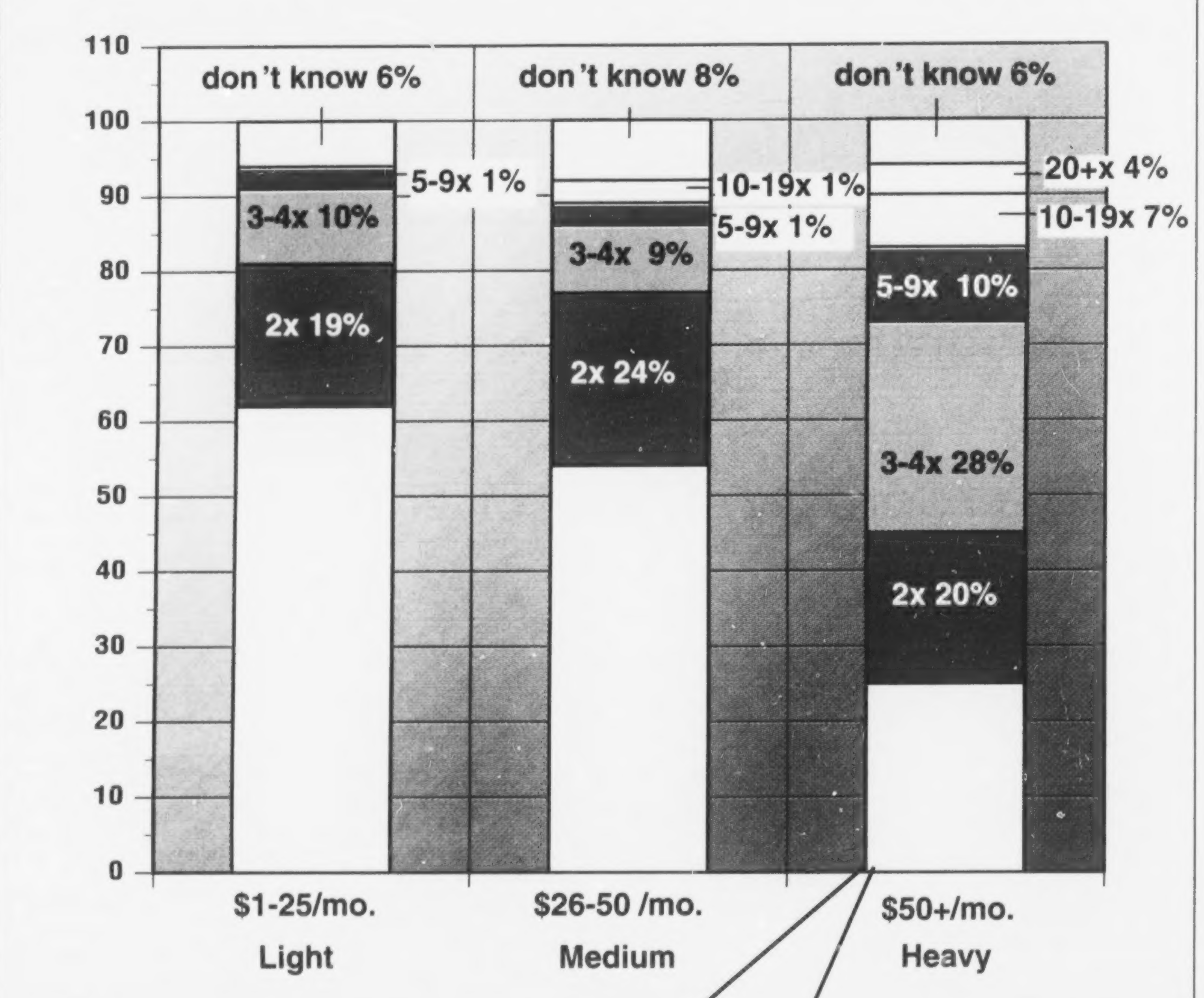
(IL 815-625-1320)

National Manufacturing Co., Sterling, IL

Circle 021 on Reader Service Card

The more homeowners spend on DIY projects, the more frequently they shop

(number of store visits per month)

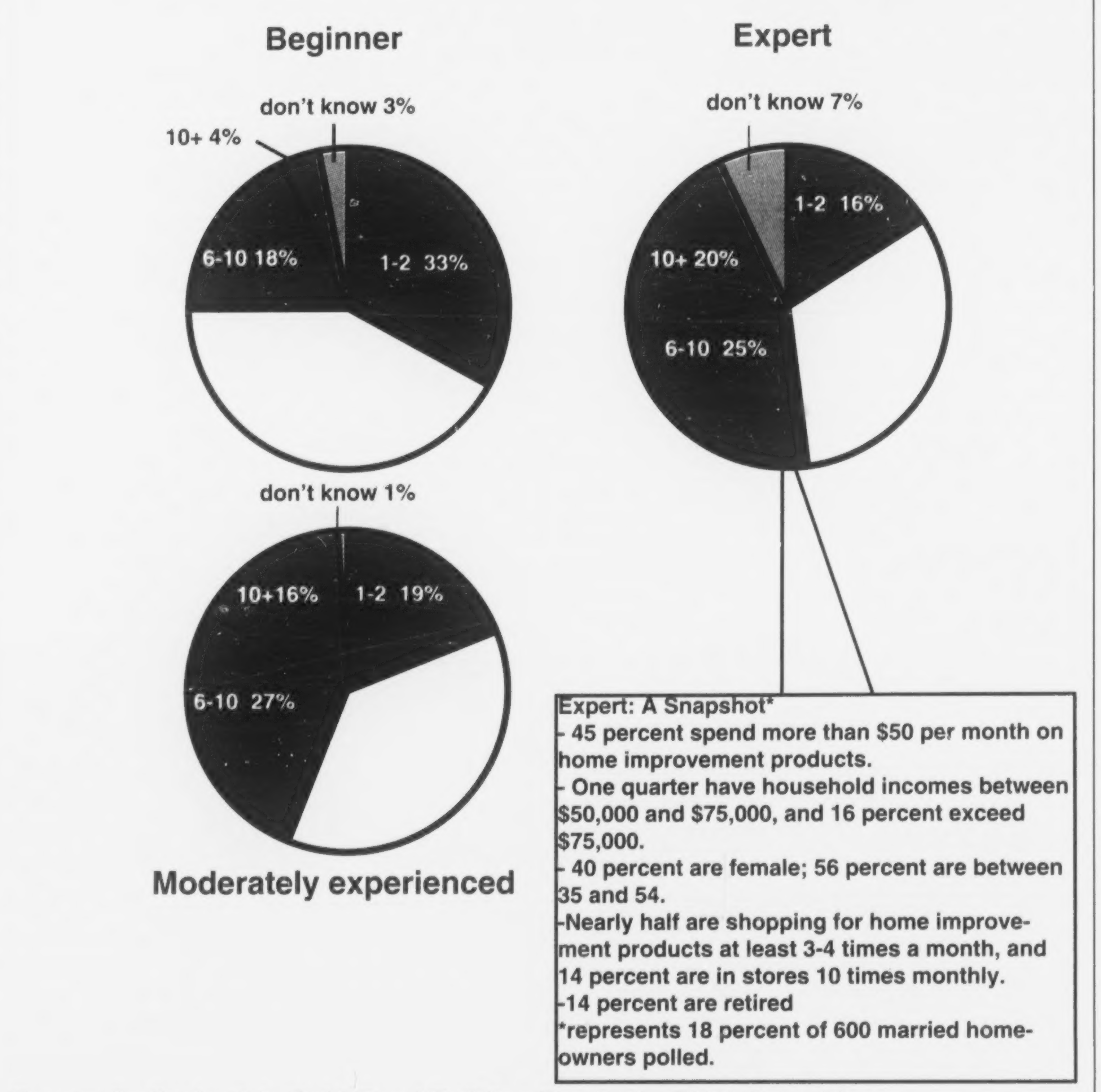


Big Spender: A Snapshot*
- 27 percent say they're expert DIYers
- 3 in 10 did between 3 and 5 projects the previous year; about the same number did 6 to 10 projects.
- 43 percent are women ; one-third are between 35 and 44.
- 30 percent have household incomes of $50K - $74K.
- one in 5 is a service worker ;1 in 7 is retired.

* represents 183 of 600 married homeowners polled who spend more than $50 a month for home improvement products.

The "Expert" DIYer is also the most active

(number of DIY projects completed in previous year)



Expert: A Snapshot*
- 45 percent spend more than $50 per month on home improvement products.
- One quarter have household incomes between $50,000 and $75,000, and 16 percent exceed $75,000.
- 40 percent are female; 56 percent are between 35 and 54.
- Nearly half are shopping for home improvement products at least 3-4 times a month, and 14 percent are in stores 10 times monthly.
- 14 percent are retired

*represents 18 percent of 600 married homeowners polled.

Source (both charts): Gold Bond Building Products, Elrick & Lavidge
NHCN charts

Skilled DIYers can also be big spenders

Study suggests more could be done to attract the 'experts'

Home improvement centers need to do better at identifying, and directing their advertising and promotion at, those skilled DIYers who are likely to be frequent and heavy shoppers in their stores now and in the future.

That's one important conclusion that can be drawn from a poll conducted for Gold Bond Building Products by research firm Elrick & Lavidge, in which 600 married homeowners in the 50 largest metropolitan areas were interviewed by phone in the fall of 1990.

Slightly less than one-fifth described themselves as "experts." But more than half of these skilled DIYers had shopped for home improvement products at least three to four times per month over the previous year.

More than half of these experts said they had spent more than $50 per month in the previous year on these products (14 percent said they had spent more than $500 per month!), compared with the three out of 10 survey respondents who fell within the "big spender" category.

On the other side of the coin, more than a quarter of these big spenders also identified themselves as experts, so there does appear to be some significant overlap in these two primary target market groups for home centers. For example, around half of both the big spenders and the experts said that they had taken on an electrical project in the previous 12 months.

What Projects Will Do-It-Yourselfers Take On?

	Breakdown of Projects Completed in the Last 12 Months by Skill Level				Breakdown by Spending Level per Month			
Project	Total	Novice DIYer	Moderately Experienced DIYer	Expert DIYer	Total	$1 to $25	$25 to $50	Over $50
	600*	130	360	110	600	150	169	183
Plumbing	43%	38%	42%	54%	43%	42%	42%	45%
Electrical	41	25	44	49	41	35	40	48
Gypsum wallboard	34	17	38	43	34	23	27	48
Mechanical	27	15	28	37	27	21	24	34
Painting/wallpapering	9	19	6	5	9	13	8	5
Woodwork	8	6	9	10	8	7	10	8
General home improvement	5	9	17	17	5	6	2	3
Carpentry	4	5	3	8	4	4	4	3
Cabinetry/shelving	2	5	1	2	2	2	1	2
Landscaping/gardening	2	5	1	2	2	1	2	2
Other	11	14	8	7	11	12	14	10

*Based on interviews with 600 married homeowners.
Source: Gold Bond Building Products/Elrick & Lavridge

NHCN chart

The two breakdowns contained in this chart are by skill level and expenditure. They show the percentage of each group that said it had completed each project over the previous year (e.g., 42 percent of those who spent up to $25 a month on home improvement products did a plumbing project).

The study from which this information was taken also shows that there's some overlap between the bigger spenders and expert DIYers—an overlap home improvement dealers need to exploit.

Women no longer on the sidelines when it comes to home improvement projects

Carol Farmer, one of the home improvement industry's leading market observers, thinks home centers have difficulty selling to women because "home centers have no fashion authority."

"Women," she continues, "would rather shop fashion in catalogs; home centers buy whatever suppliers offer."

While many dealers have made great strides to tailor their assortments, services and even in-store maintenance to appeal to women, as often as not they still approach the *selling* process as if they were dealing with men.

That's a big mistake because women appear to be eager home center, even warehouse, shoppers, according to a number of studies released in the past two years. However, these surveys also show women to have very different demands than men when it comes to choosing where they shop.

For example, a look at female shoppers commissioned last year by Women in the Hardware Industry, based on data from 2,300 households, found that men and women identified availability of hard-to-find items as the number one characteristic they look for when deciding where to go for home improvement fare.

However, where men are likely to shop stores that have "courteous, friendly employees," women find that store attribute less important than "good value for the money."

A poll of 413 female shoppers completed for *NHCN* by *Better Homes & Gardens* earlier this year, revealed that nearly three-fifths had completed a home improvement project within the previous six months, and half of this subgroup said they shopped in either a home center or warehouse unit.

Interestingly, this subgroup also places a much higher premium on a store's selection than other factors within the shopping experience. And the *Better Homes* data also debunks the perceived myth by revealing that women say they are self-sufficient when it comes to buying home improvement products.

A *Better Homes & Gardens* poll of 413 female shoppers revealed that nearly three-fifths had completed a home improvement project within the previous six months.

What Men and Women Seek When Shopping for Home Improvement Products

(% stating very/extremely important)

	Total¹	Females	Males
	600	**308**	**292**
Merchandise quality	94%	95%	92%
Product selection*	86	88	83
Quality of service*	78	85	71
Price*	74	81	67
Speed of service*	64	69	58
Location	58	60	55
Store image*	25	29	21

*Difference is statistically significant between males and females.
¹Based on interviews with 600 married homeowners.
Source: Gold Bond Building Products/Elrick & Lavidge

NHCN chart

Before men or women will step foot into a store, they demand, first and foremost, that it carries quality products. However, men appear to place a higher premium on selection and service.

Women also appear to take an entirely different attitude toward shopping for home improvement products, and are more willing to investigate other avenues—like catalogs and discount stores—than male shoppers.

Profile of Shopping Attitudes of the DIY Consumer

(based on a survey of 2,300 U.S. households)

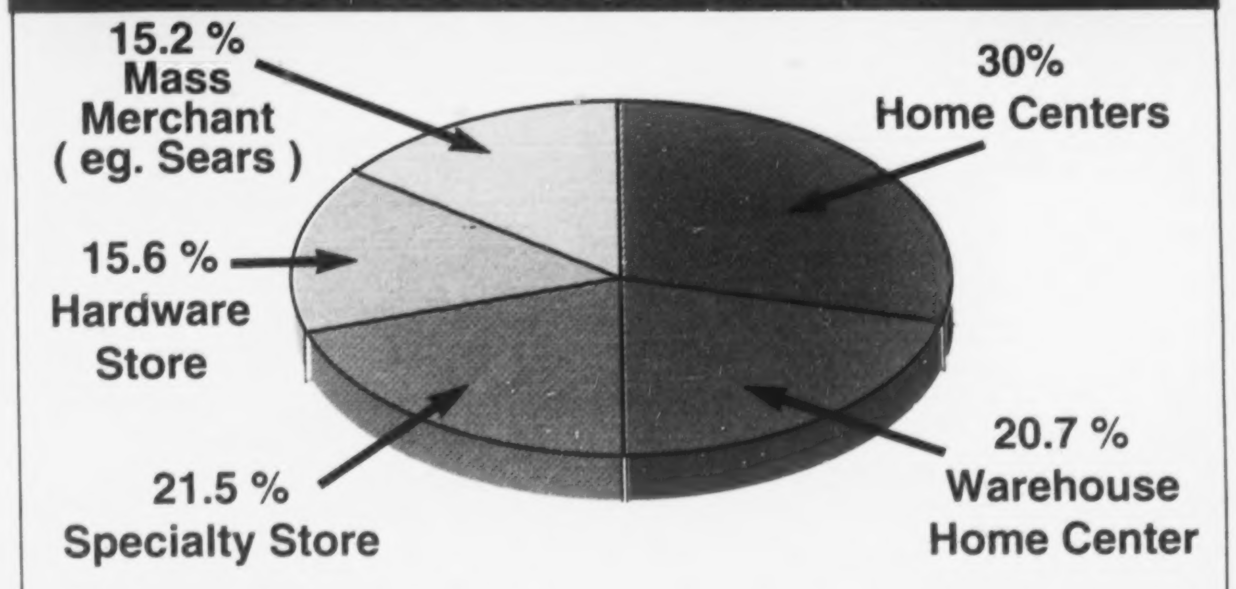
When it comes to shopping, females are more likely than males to claim that . . .	Attitude Ratings Based on a 10-Point Scale*		
	Female	Male	Gap
They usually come home from the store with more things than they intended to buy	5.67	4.88	.79
They do a lot of shopping through direct mail catalogs	4.20	3.59	.61
They often shop at discount stores	8.11	7.51	.60
They believe most products available on the market are equal in quality regardless of brand name	4.65	4.07	.58
When they shop, they usually go to several stores to get the best price	5.95	5.41	.54
They pay attention to advertisements for sales	8.08	7.58	.50
When there's a chance, they generally buy the store's own brand rather than a national brand	5.36	4.87	.49

*A "10" implies that the respondent is in total agreement with the statement; a "1" implies total disagreement.
Source: The Russell R. Mueller Retail Hardware Research Foundation and The Farnsworth Group

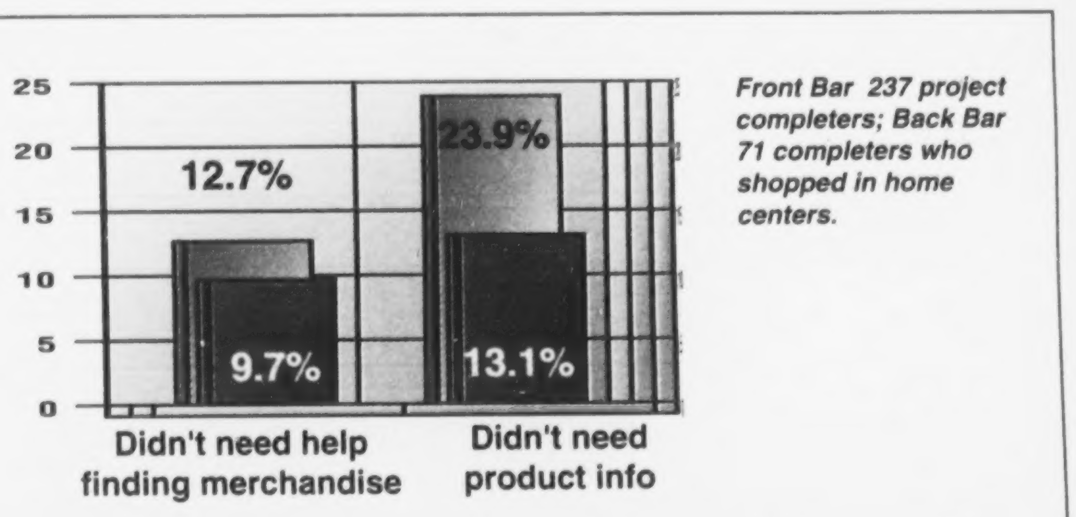
NHCN chart

The Female shopper: A Snapshot

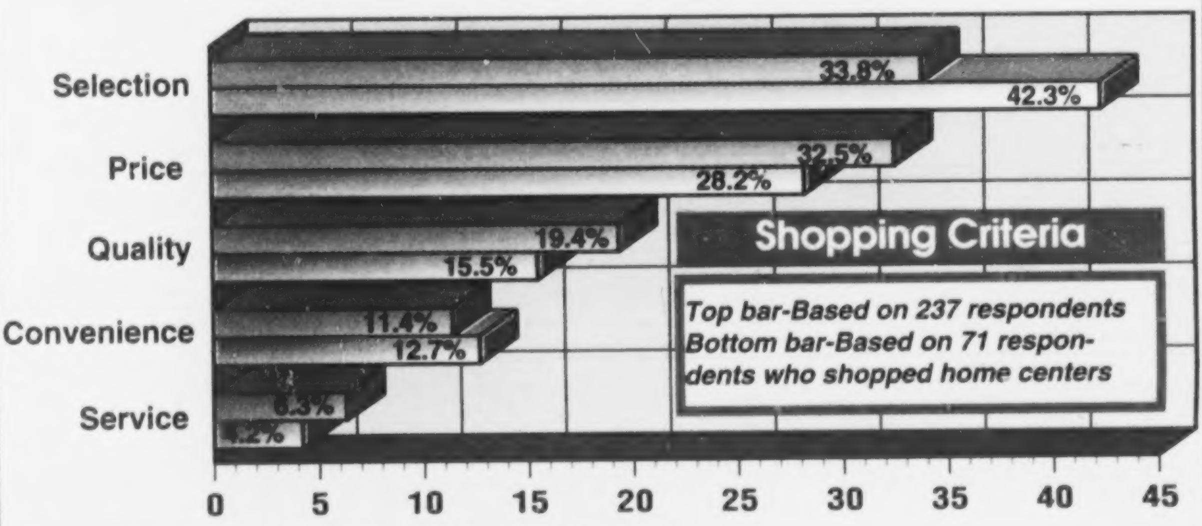
Where they shop, how, and why



Based on 237 respondents who completed a home improvement project in



Front Bar 237 project completers; Back Bar 71 completers who shopped in home centers.



Source: Better Homes & Gardens. NHCN charts

Women polled who completed a project in the previous six months spent $1,249, on average; those who shopped in a home center spent $1,259 . . .

Source: *Better Homes and Gardens*

NHCN photos

. . . but women completed about half as many home improvement projects* as men—3.8 to 6.34—in 1990.

*Based on a predetermined list of 38 projects.
Source: Russell Mueller Retail Hardware Research Foundation; Farnsworth Group

Small residential remodelers are key to home centers' pro market

Last year, slightly less than three-fifths of the $40 billion in sales generated by the industry's largest 500 companies came from contractors and remodelers. And even the most die-hard retail outlet is moving toward the professional customer more aggressively.

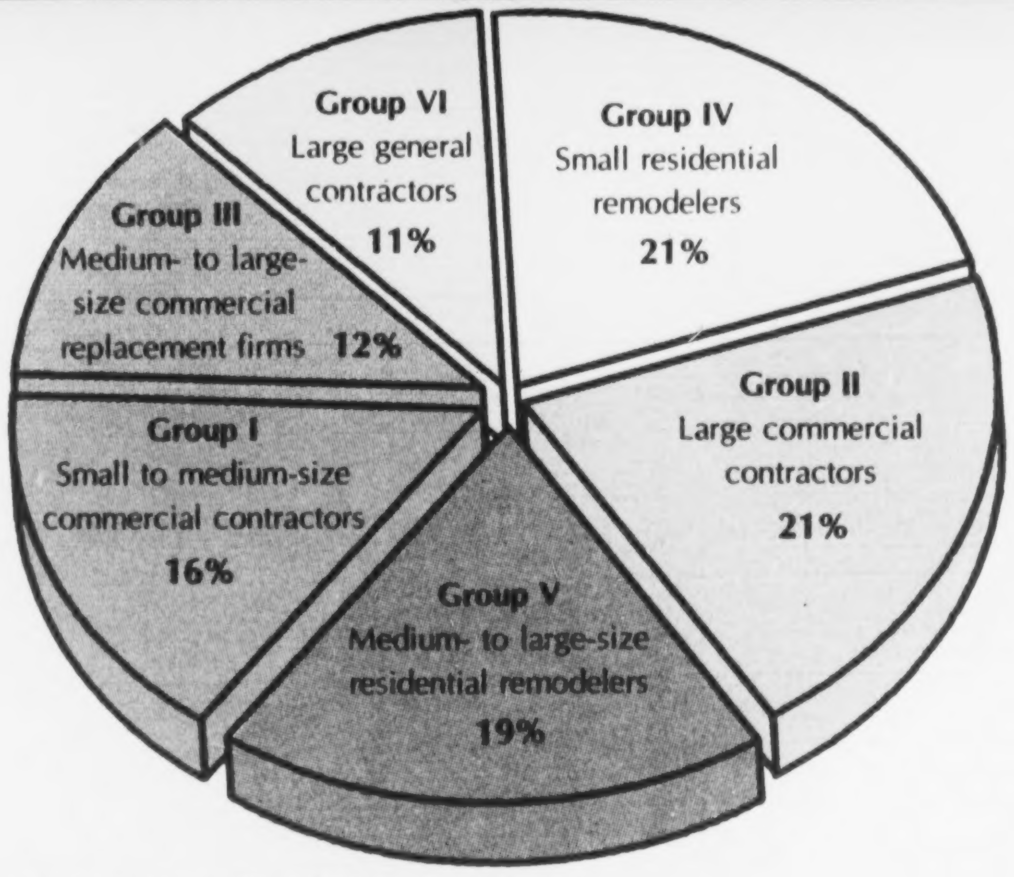
However, that customer remains elusive and, in some cases, transitory. Getting too close to certain pros can be hazardous to your health: Among the 15 largest contractor-oriented retailers that got at least 75 percent of sales from builders and remodelers last year, all but three reported sales declines—mostly attributable to the nationwide weakness in the home building market.

Consequently, a better understanding of the pro's shopping patterns would go a long way toward helping dealers decide how to adjust their products and services. Last July and August, the Home Improvement Research Institute interviewed 1,000 executives from construction and remodeling companies in order to dissect that contractor universe into its various components.

The study found that small residential remodelers, representing around one-fifth of the market, were most likely to shop in a home improvement center for their building products and hardware.

On the other hand, the study found that dealers would be mostly wasting their time pursuing large commercial subcontractors and general contractors—either because they usually don't prefer to shop in home centers, or they don't usually deal with homeowners.

Contractors Break Down Into Six Main Groups*



* Based on interviews with 1,000 contractors.

Source: Home Improvement Research Institute

NHCN chart

SEGMENT I

Small to Medium Commercial Subcontractors

- Three-fifths do alterations/additions.
- More than half do residential remodeling.
- Electricals/lighting, painting and HVAC top revenue generators.
- Prefer shopping lumberyards and distributors for product.
- Less likely to shop specialty or hardware stores.
- Homeowner/clients aren't usually DIYers.

SEGMENT II

Large Commercial Subcontractors

- Usually work with general contractors and architects.
- Less than two-fifths do residential remodeling; about the same ratio do new home construction.
- Electricals/lighting, painting and HVAC top revenue generators.
- Prefer shopping distributors, lumberyards and specialty outlets.
- Less likely to shop in a home center.

SEGMENT III

Medium to Large Commercial Replacement Firms

- 82 percent in this segment do replacement.
- Don't do much whole-house work or interior/exterior activity.
- Slightly less than three-fifths do residential remodeling.
- Roofing, HVAC and painting top revenue generators.
- Prefer distributors to other shopping venues.
- Lower than average DIY incidence among clients.

SEGMENT IV

Small Residential Remodelers

- Mostly general contractors.
- Usually work directly with homeowners.
- More than two-thirds do replacement; three-quarters do residential remodeling, the highest among all contractor segments.
- Windows/Doors, roofing and siding top revenue generators.
- More likely to shop home centers and hardware stores than any other contractor segment, and go to those stores for new product info.
- Seek in-stock availability and location more than product selection in choosing where to shop.
- Heavy DIY activity among clients.

SEGMENT V

Medium to Large Residential Remodelers

- Half do additions and alterations; two-thirds do residential remodeling.
- More likely than other contractors to do whole-house work.
- Windows/doors, siding and roofing top revenue generators.
- Prefer lumberyards and specialty stores, and more likely than other contractors to go to distributors.

SEGMENT VI

Large General Contractors

- More likely to use subcontractors than other groups.
- Three-fifths do additions and alterations; 57 percent are residential remodelers.
- This contractor group has the highest involvement in all activities.
- Carpentry, windows/doors and cabinetry top revenue generators.
- Appear to go to all retail outlets, though prefer lumberyards and distributors significantly more than average.
- Clients—including homeowners, architects and subcontractors—very likely to make purchasing decisions.

Key Factors in Deciding Where to Purchase Major Materials

	Average Rating (10 = Very Important)	
	Total Sample	**Small Remodelers**
In-stock availability	9.1	9.1
On-time delivery	8.9	8.7
Competitive prices	8.8	8.6
Knowledgeable salespeople	8.7	8.4
Product guarantees and warranties	8.5	8.5
Ease of pickup	8.4	8.5
Wide selection of products	8.2	8.4
Contractor discounts	8.1	8.0
Ability to special order	7.9	7.9
Ease of phone ordering	7.8	7.5
Convenient hours	7.8	7.9
Credit	7.6	6.9
On-site delivery	7.2	6.7
Contractor service desk	7.1	6.9

Source: Home Improvement Research Institute.

NHCN chart

Where Remodelers Buy

(Percent)

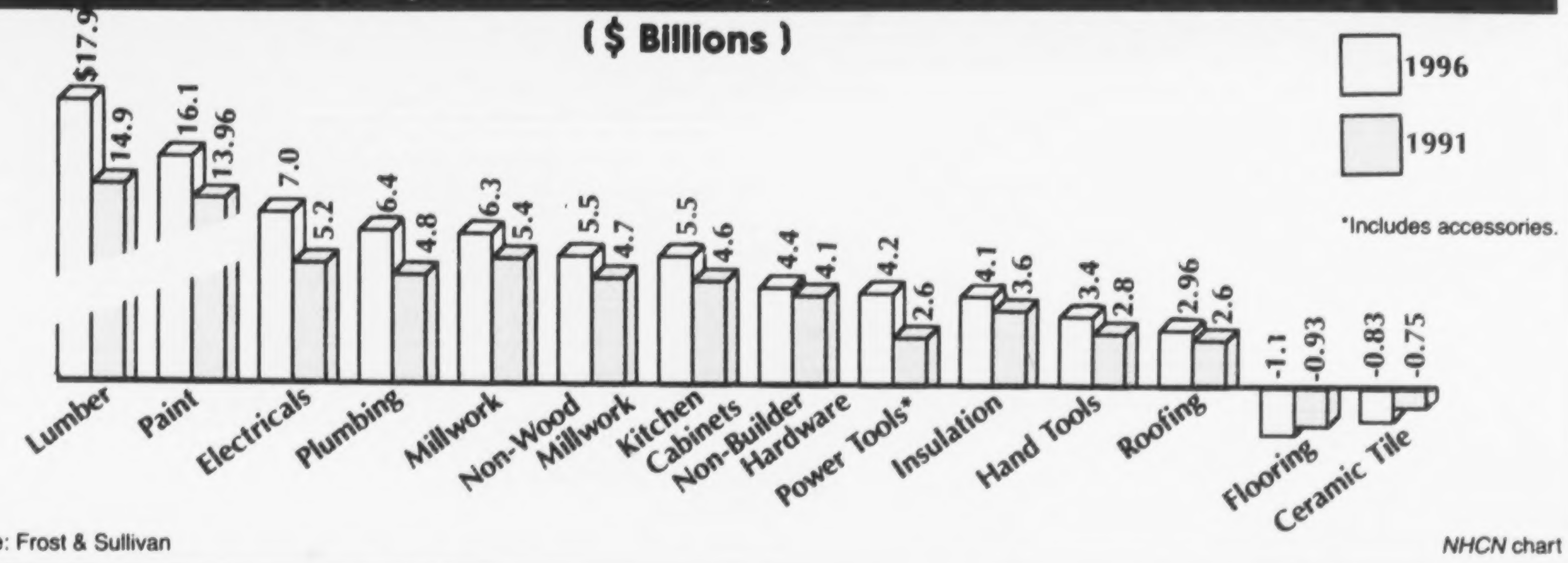
	All Remodelers	**Small Residential Remodelers**
Lumberyard	60	64
Specialty Store	55	53
Wholesaler	55	50
Hardware Store	39	46
Distributor	37	28
Home Improvement Center	31	39
Direct From Manufacturer	17	16
Home Improvement Warehouse	13	16

Source: Home Improvement Research Institute

NHCN chart

While small remodelers don't deviate noticeably from other contractor groups in their reasons for choosing one store over another, they are the likeliest of all professionals to choose a home center or a hardware store to shop for home improvement items, and also show a strong inclination toward lumberyards, according to a survey of 1,000 pros conducted by The Home Improvement Research Institute last year.

Lumber and paint will remain market sales leaders...



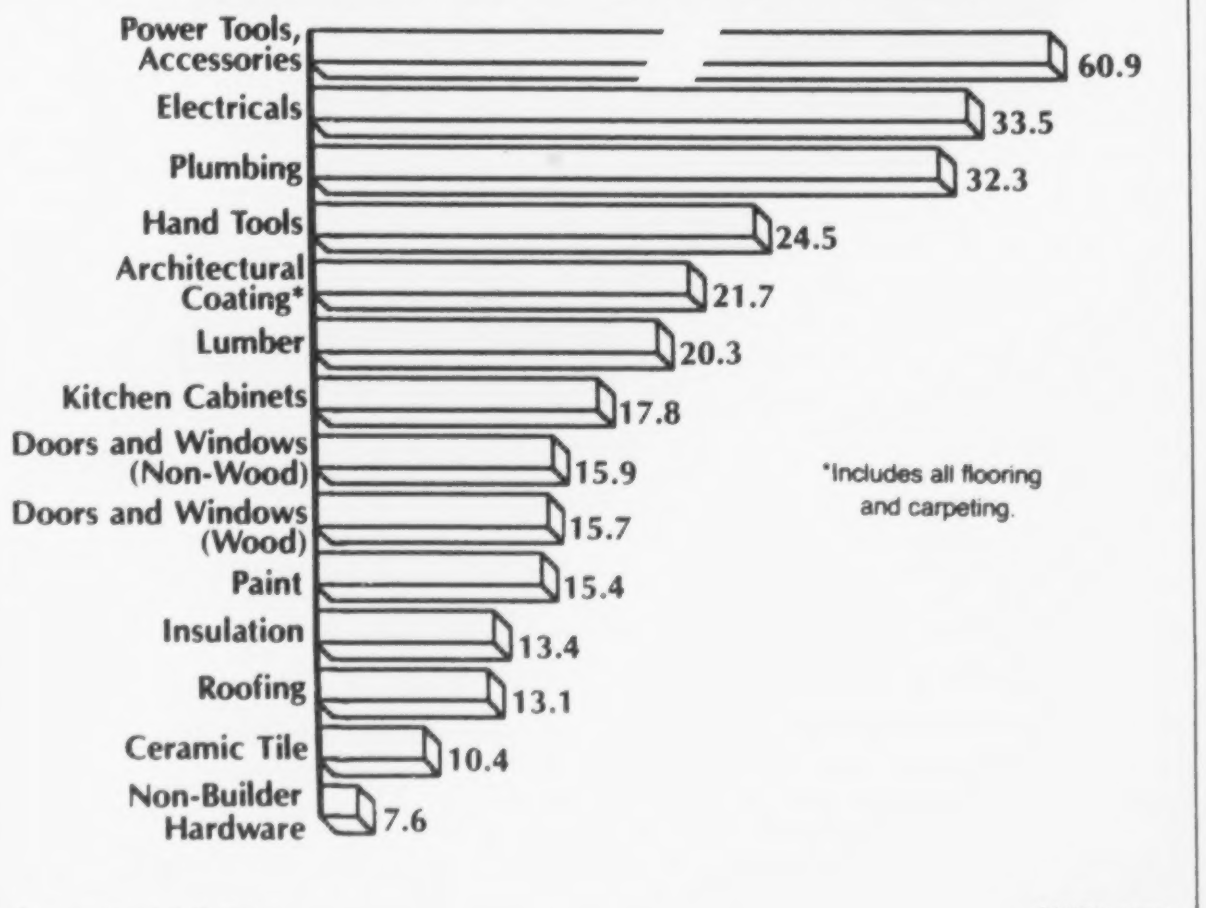
*Includes accessories.

Source: Frost & Sullivan

NHCN chart

...But power tools and accessories are poised for takeoff

(Percentage Sales Growth in $ Billions 1991-1996 of Home Improvement Products)



*Includes all flooring and carpeting.

Source: Frost & Sullivan

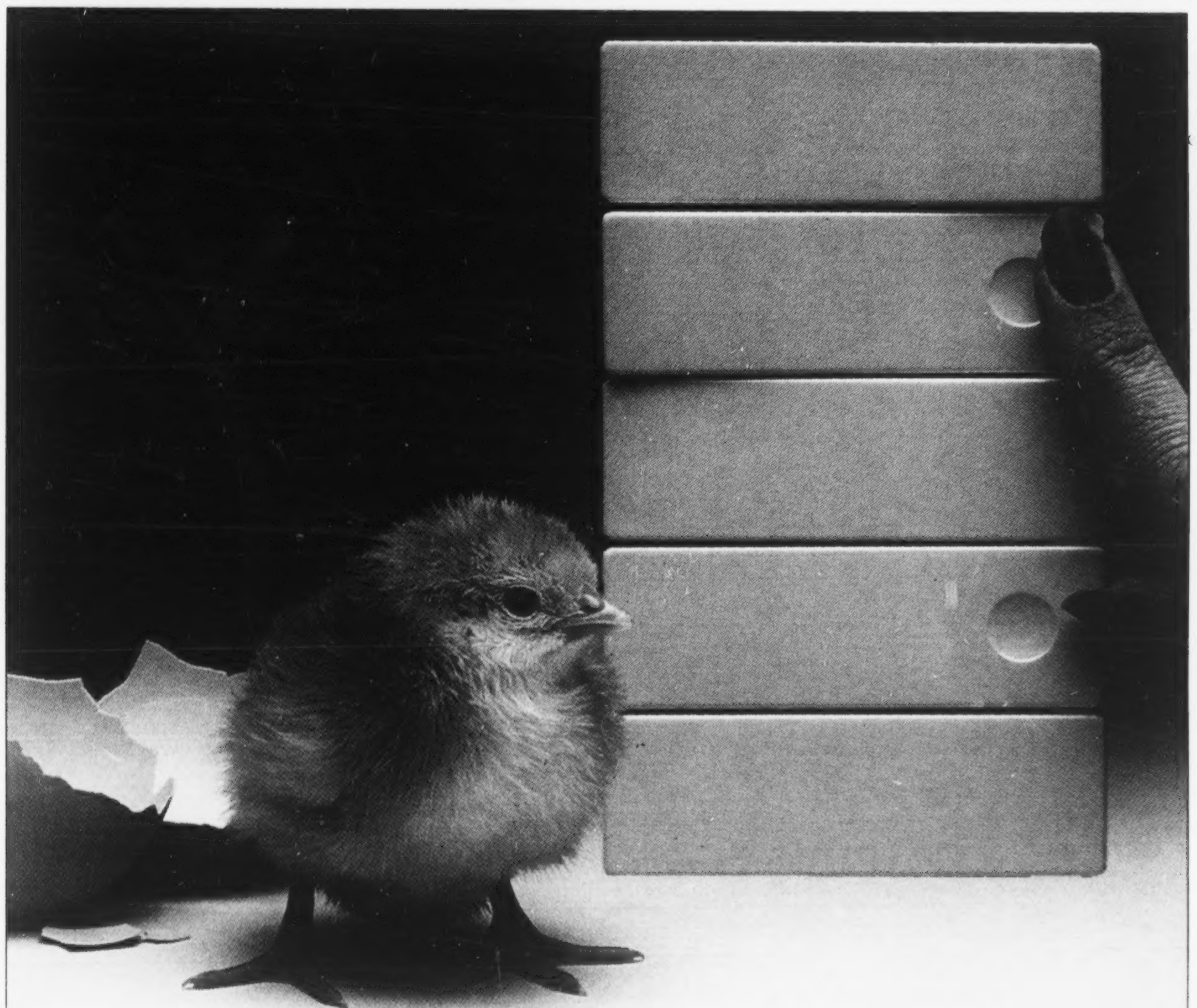
NHCN chart

Major growth in niche product markets and from the buy-it-yourself consumer sector is anticipated for the home improvement industry over the next few years.

A massive market report, published this spring by New York City-based research firm Frost & Sullivan, expects the retail home improvement market to expand annually by an average of 3.8 percent. "The market is in fine shape, but it's suffering the cycles and whims of the economy," said Alex Stzretelski, a retail consultant who conducted the study for F&S.

Stzretelski told *NHCN* that fewer consumers over the next several years are expected to do projects themselves, but they still want to control the buying of products. Hot categories should include power tools and accessories, architectural roofing, windows and any products that provide "convenience."

The study is based partially on interviews with 75 suppliers and dealers—such as Home Depot, Lowe's, Sherwin-Williams, Black & Decker and Owens-Corning—and 110 consumers.



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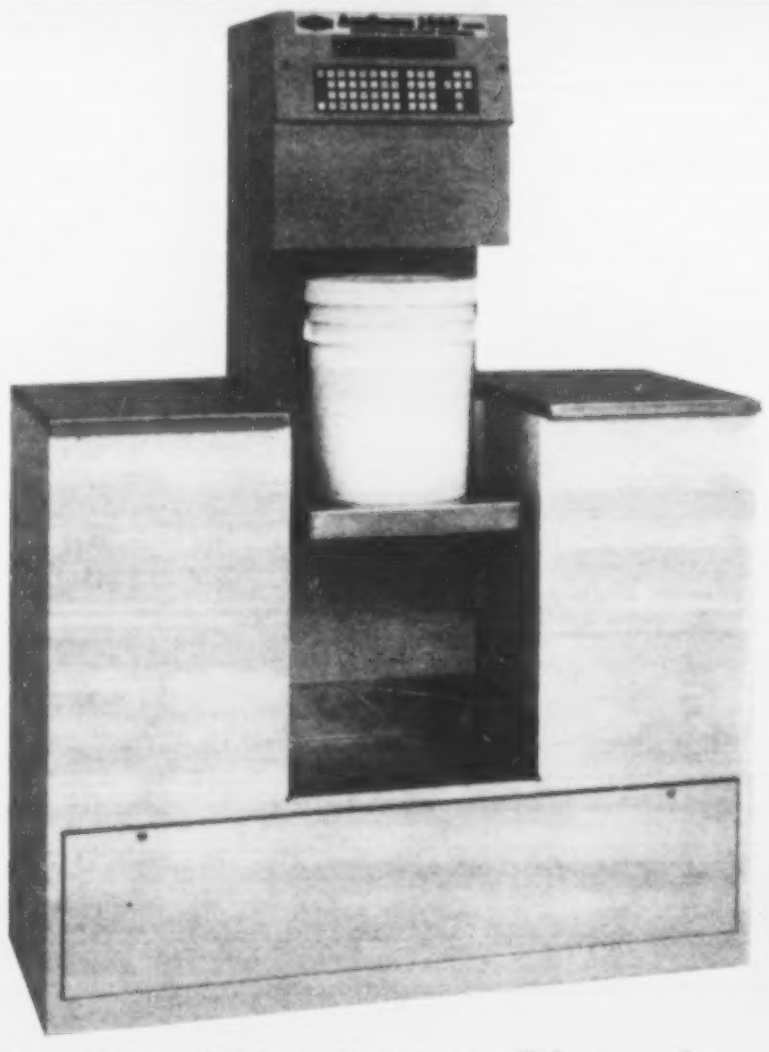

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ServiStar ceo sets departure

(Continued from page 1)

early for the past five years, but I didn't expect it to happen this soon," said Roger Peterson, the president of Ace Hardware Corp., who lauded Zehfuss' "innovation" and his skills as a marketer.

"He's done a good job for them," added Dan Cotter, president of Cotter & Co., who was also surprised at the news.

Zehfuss is the second buying group executive to announce his retirement this year. Don Wolf, president of Hardware Wholesalers Inc., will step down in mid-October.

Zehfuss, who turns 55 on Feb. 3, 1993, joined ServiStar as its controller in 1965, when it was called American Hardware Supply. In 1979 he became its president when he was asked to fill in for an incumbent who had taken ill.

His tenure in that post has been marked by steady and aggressive growth for ServiStar. The co-op, with 3,700 members and $1.4 billion in sales, is now the industry's third largest dealer-owned buying group after Cotter and Ace. Those sales more than quadrupled during Zehfuss' presidency.

"One of my proudest achievements is that we've been able to grow the company aggressively, when other [co-ops] have not, and we've been able to lend support for ServiStar owners to be successful in a competitive environment that's entirely different from 10 years ago," Zehfuss told *NHCN* June 11, the day he announced his retirement plans.

His boldest expansion move was the acquisition, in the fall of 1990, of the assets of Coast to Coast Stores Inc. for $54 million. That brought ServiStar 846 Coast dealers nationwide and, perhaps as important, a distribution center in Springfield, Ore., out of which the co-op has been able to launch its West Coast expansion.

The co-op under Zehfuss also extended internationally. Last year, it signed agreements with Canada's Homecare and Award buying groups to supply their members with hardlines and building products.

At home, Zehfuss was instrumental in getting his co-op to expand the services and programs that it could offer as an incentive to encourage greater dealer involvement with the buying group.

Two hallmarks of those programs have been the development of niche market specialty retailing ventures: Grand Rental Station, a full-service rental store, and Home and Garden Showplace, an upscale lawn and garden center.

In retirement, he said he wants to "pay back society" by getting more involved in "helping the underprivileged," either on his own or with groups focused on those endeavors.

Looking back on his years at ServiStar, where he has spent virtually his entire adult life, Zehfuss said, "I have no second thoughts, no regrets."

CBS confronts credit squeeze

(Continued from page 1)

meant "to allay fears of dealers about the stability of the buying group." The meeting will also introduce Van Conway, a Michigan-based turnaround specialist acting as interim president and ceo, and present "business plan options for the near and long term."

Bret Pobanz, who became president and ceo in late 1988 after his father, Phil, died, was relieved of his duties by CBS' board last month, though Conway said he's still an employee.

Conway said that "a handful" of CBS members hadn't "honor[ed] terms" of the group, and that the extraordinary meeting will "address credit policies of the firm."

According to sources who requested anonymity, CBS' troubles were partly due to its getting stuck with two sizable vendor bills incurred by a North Carolina-based dealer-member and an Illinois-based marketing firm.

Member purchases are billed through CBS. So to improve cash flow, CBS has been sending invoices to many dealers weekly, rather than monthly or bimonthly, which is more typical.

Vendors told *NHCN* that CBS was paying its bills on time. But dealers complain they were writing checks "almost daily" to CBS so it could meet its vendor payments.

Dealers interviewed before the June 17 meeting said they were in the dark about CBS' finances. Expenses are so out of control, said one former dealer in Ohio, that he's been billed for "overdistributions" of rebates paid by CBS as far back as 1988.

Other dealers, who left CBS since January, fear they won't get their original investments—such as capital stock—back in cash.

Conway said CBS' 1991 sales were $315 million from a "loyal" 300 members. Pobanz previously had told *NHCN* the co-op did $325 million from 500 dealers.

Pergament must pay penalty

(Continued from page 1)

through phony 'sales' ads. Nor should they find, when they arrive at a store, that an advertised 'sale' item is not even carried at that location," said New York State Attorney General Robert Abrams, in a prepared statement.

Six stores involved

The investigation was initiated by the attorney general's regional office in White Plains, N.Y., after discovering that a number of products advertised in both the newspaper and circular ads were unavailable in stores.

The regional office focused on six of Pergament's 34 stores—in Peekskill, Fishkill, Port Chester, Spring Valley, White Plains and Yonkers, N.Y.—and found that about 40 percent of the weekly advertised items were unavailable at these locations.

Pergament's ads promoting storewide sales were also found to be misleading. Some items in the "Spring Fix-Up Sale" and "Save up to 50 percent off regular low prices" ads were found to be priced no lower than their regular prices.

On June 3, Pergament agreed "to refrain and desist from deceptive practices and false advertising." It paid $20,000 in penalties and $5,000 in costs and must file an affidavit to stay in compliance with the agreement within 30 days, again in six months and then one year later, said Richard Barr, a spokesman for Abrams' office.

Noncompliance allows the attorney general to sue without prior notification.

U.K.'s No.1 chain to lose chief

(Continued from page 1)

announcement was a shock to an industry mired in deep recession. This year, B&Q reported its first decline in profits, down 5.6 percent to £90.3 million. This month, it discounted everything but lawn mowers by 20 percent to counter Texas Homecare's competitive prices.

B&Q is also abandoning the traditional home center format in favor of 80,000-square-foot-plus warehouses, known as B&Q Depots, that operate on lower margins and prices.

Whittaker of Kingfisher said that Hodkinson's move did not signal a different course for B&Q, which is pleased with the progress of Depot.

"It's a wrench to leave any business after 22 years," said Hodkinson. "But having built and developed it, I can exit without causing too many heartaches." He had postponed his departure until the Depot concept, under development for two years, was ready to "move forward."

Under Hodkinson's leadership from 1985 to 1990, B&Q expanded to 280 units from 175. It remained the most innovative retailer, the first to set up central distribution, introduce an environmental policy and develop a warehouse unit.

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Builders Square gets new pres.

Discounter joins growing stable of operations execs

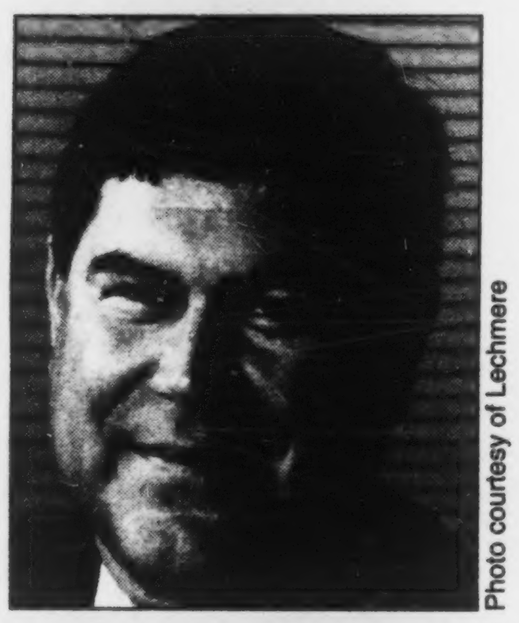


Photo courtesy of Lechmere

Frank Felicella

SAN ANTONIO — Frank Felicella will become Builders Square's new president and chief operating officer, effective Aug. 3. He will report to Glen Mielke, chairman and ceo.

Felicella, 46, is the chain's third executive appointment in the last three months and joins newcomers Bud White, senior vp-merchandising, and Rick Meiser, senior vp-marketing.

The new appointments come at a time when Builders Square is radically changing its merchandise presentation and layout. On July 9, it will debut its new store concept, called Builders Square II, in Sunrise, Fla., with a 6,000-square-foot Idea Center that evolved from its earlier Decor Center.

"[Felicella's appoint-

(Continued on page 45)

Pay 'N Pak to liquidate units

Prices slashed to pay debt

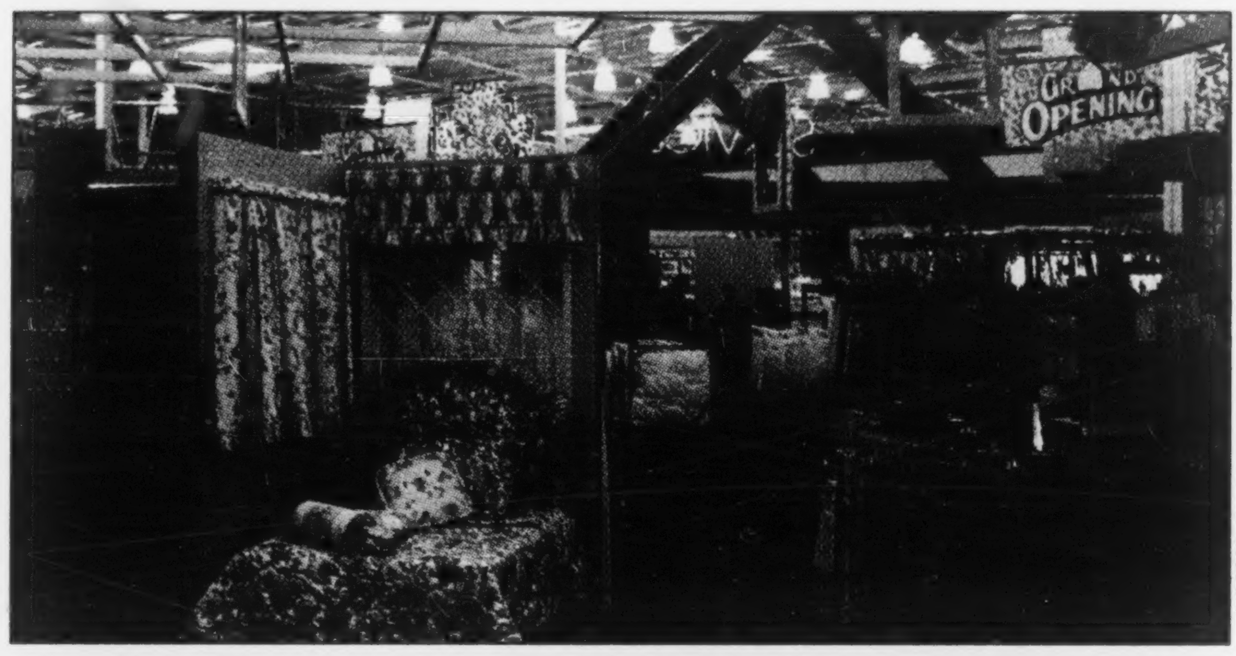
by Robyn Taylor

KENT, Wash. — Pay 'N Pak plans to begin a massive going-out-of-business sale in its 68 remaining outlets as soon as it gets anticipated court approval of the chain's "managed liquidation."

The sale will go on for 12 weeks. And within 26 weeks, Pay 'N Pak hopes to liquidate the stores completely. The company is discounting its inventory, valued at $130 million, and expects to raise $73 million to pay off part of the $220 million debt owed to banks, bondholders and suppliers.

According to court documents, Pay 'N Pak plans to sell its six company-owned stores and four properties,

(Continued on page 45)



NHCN photo

The $5 million Pay 'N Pak spent remodeling units to its store-within-a-store layout couldn't lift it from bankruptcy.

E-Lamp: Hyping lighting's next generation

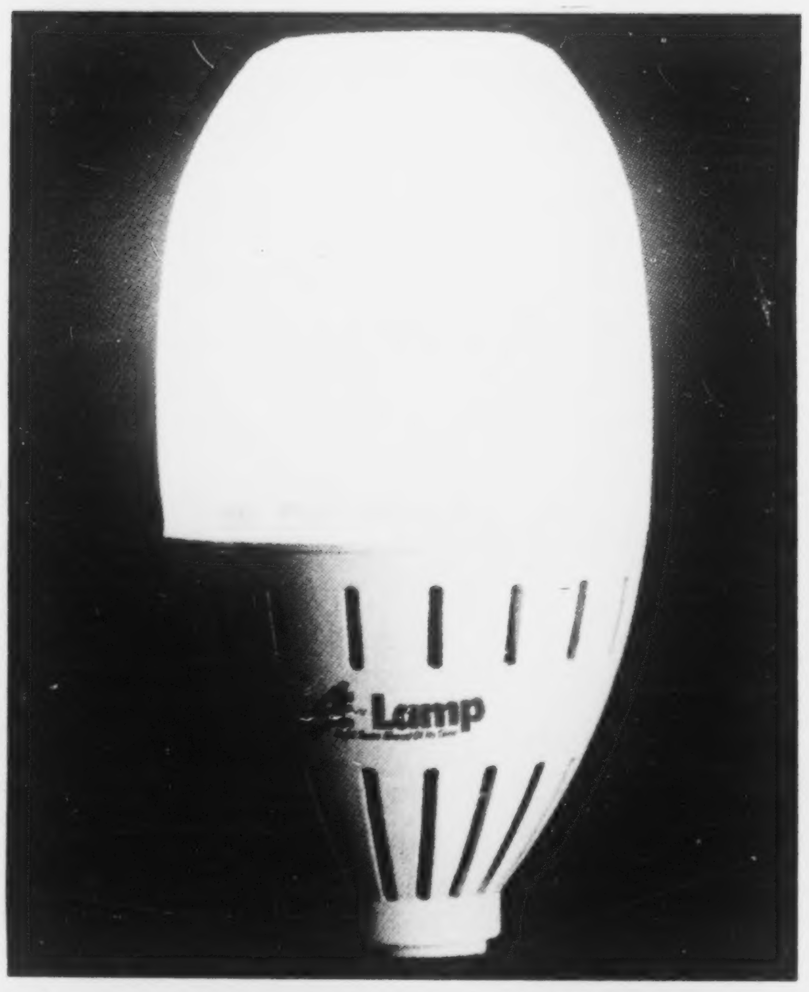


Photo courtesy of Intersource Technologies

The E-Lamp, which uses high-frequency radio waves, can last up to 14 years.

by Elizabeth Brent

NATIONAL REPORT — How does a product that one manufacturer claims was patented in 1935 and that still isn't on the market take the press by storm? Is this the H. Ross Perot of light bulbs?

(Continued on page 45)

Pine exports flood Mexico

Ease of shipping lures suppliers

by Gary S. Ruderman

INTERNATIONAL REPORT — Exports of southern yellow pine to Mexico are expected to nearly triple this year.

Mexico, an emerging market for both U.S.-made hardware products and retail concepts, is expected to take an estimated 36.6 million board feet (Mbf) of this pine from mills in the southeastern U.S. this year, up from 13.5 Mbf in all of 1991, according to estimates by the Southern Forest Products Association, a trade group of southern timber producers.

The trade group believes the Mexican economy is strong. In the first quarter of 1992 the country's economy grew at a 4.2 percent rate, outstripping the 3.6 percent growth for all of 1991.

This economic growth, as well as the recent problems shipping lumber to European markets, prompted new interest in Mexico among U.S. suppliers. Ron Willis, the association's exports manager, said the European Community's demand for kiln-dried lumber is outstripping U.S. production capacity.

Lumber going to Mexico, on the other hand, need not be kiln dried, which is a time-intensive and more costly process.

So companies are looking to Mexico. Georgia-Pacific (G-P), with an office that opened in Monterrey in the second quarter of this year, is said to be the lone U.S. timber supplier with a sales facility in this country.

Other major producers of timber have representatives working out of distribution centers located on the U.S. border.

While G-P has been producing molding and speciality products there, a number of forces makes the exporting of wood

(Continued on page 44)

Grossman's looks south of the border

BRAINTREE, Mass., — Sources in Mexico say that Grossman's Inc. is looking casually at store sites south of the U.S. border.

The local sources report that an outside consultant for the 140-unit chain has been speaking with real estate developers on a very preliminary basis.

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Lowe's reconfigures merchandising teams p. 6
Coast to Coast's president to retire p. 6
Independents find new ways to compete p. 27

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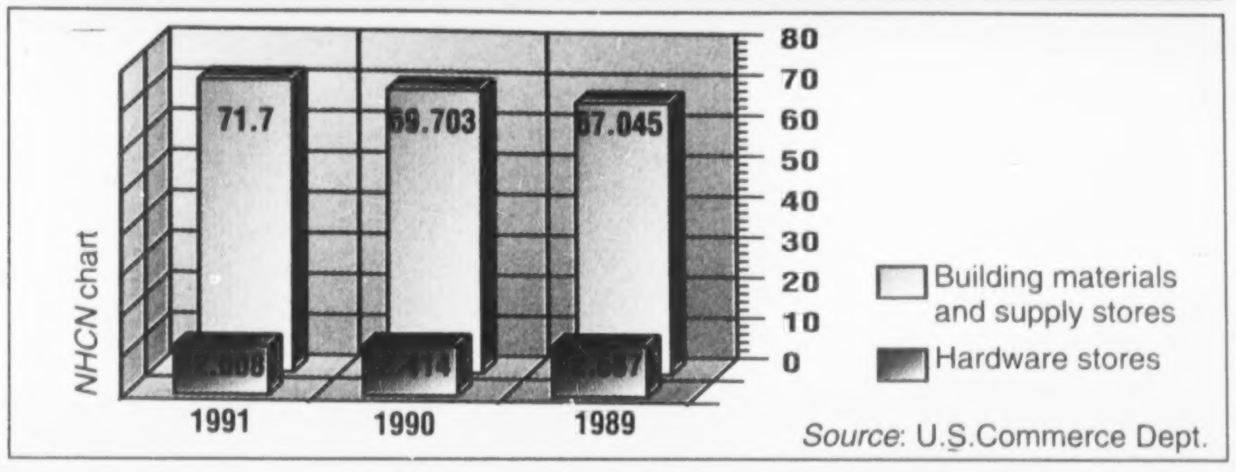

Retail Home Improvement Sales
(revised, in $ bil.)

Source: U.S.Commerce Dept.

Recently revised Commerce Department figures for retail home improvement sales show a 1.93 percent gain in 1991 (versus 0.2 percent in the previous estimate).

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COMMUNITY SERVICE

Denver yards remodel cabin for camp site

DENVER — Being a good neighbor isn't always easy.

That's what Calvin "Kip" Oram found out when he began assembling a group of 90 Denver-area lumberyards, manufacturers and builders to remodel a century-old log cabin for an Easter Seals camp in the mountains west of Denver.

Oram, president of Alpine Lumber, which operates eight retail and wholesale building materials stores in the Denver area, coordinated the effort on behalf of the Home Builders Association of Metro Denver (HBAMD). But after the project began, in September 1991, he discovered that the cabin had no foundation and that remodeling would be impossible.

So an alternate plan evolved into the construction of a 1,150-square-foot house which will provide living space for staff of the camp for disabled children and adults.

The house, which Oram estimates would have cost $60,000 to $70,000 to have built commercially, was constructed almost entirely by labor donated by local builders and contractors, and with materials donated by companies including Marvin Windows and BMC West.

Boise Cascade supplied $2,000 worth of log siding. The only expenses—concrete and some plumbing parts, which totaled about $1,500—were paid by the HBAMD.

Oram collected much of the donated material at Alpine's Denver store and shipped it to the site with Alpine's trucks. The labor was done by groups of volunteer building crews which each worked a few days on a part of the project.

This project is scheduled to be finished by the end of June.

HBAMD has coordinated several other projects, including the remodeling of a shelter for battered women and a school for disabled children. In addition, the group has built or remodeled about 10 other buildings at the camp.

"If other groups look at what we did and realize how little it cost each participant in dollars and man hours, it would be possible to do, on one scale or another, in any community," said Oram.

Oram also thinks projects like this could help change the negative images of builders and lumberyards often created by environmentalists and the media.

NEWS BRIEFS

Eagle Hardware appoints new vp-finance

TUKWILA, Wash. — Myron Kirkpatrick, who served five years as corporate controller for Costco Wholesale and also had a stint with Gold Circle, joins Eagle Hardware & Garden, the Tukwila, Wash.-based warehouse retail operation, as its vp-finance and chief financial officer.

Most recently, Kirkpatrick was director of finance and administration for the Port of Grays Harbor.

Also joining the four-unit Eagle are two former Pay 'N Pak executives. John Foucrier, Pay 'N Pak's senior vp-operations and administration, becomes Eagle's executive vp-operations. A 22-year industry veteran, Foucrier also worked for Builders Emporium. Dale Cracker, a district manager for Pay 'N Pak, becomes Eagle's vp-store operations.

Pay 'N Pak, the Kent, Wash.-based chain which at one time was run by Eagle's current management and owners, has filed for permission from the bankruptcy court to liquidate its operations.

India to exhibit at Hardware Show

CHICAGO — Over 20 leading manufacturers and exporters from India are expected to exhibit in two booths at the National Hardware Show next month.

India is a leading Asian exporter of several home improvement product categories, including builders hardware, which nearly tripled to $97 million in 1989, the latest year available.

The country's suppliers also make tools and auto parts.

Its exhibitors will participate at the Show under the auspices of the India Trade Promotion Organization.

Industry to get 'roast' at City of Hope gala

CHICAGO — A multimedia presentation recounting the home improvement industry's 15 years of support for the City of Hope will be a highlight of a streamlined program for this year's benefit, to be held on Aug. 18 at the Hilton Hotel and Towers here.

Speakers and entertainers will be projected live on two huge screens in the hotel's ballroom, giving attendees a much better vantage of events on stage, which will also include a mini-roast of past honorees of the "Man of the Year" award.

This year's recipient is Daryl Lansdale, president of the Scotty's chain in Winter Haven, Fla. Comedian Don Rickles will be the main entertainer.

Over the past 11 years, this industry's council has raised more than $11 million for the Duarte, Calif.-based medical and research center.

Photo courtesy of City of Hope

Don Rickles

Aikenhead's
CANADA'S HOME IMPROVEMENT WAREHOUSE

Many of the companies at the dinner volunteered supplies and labor for various Habitat projects. *NHCN* photo

Aikenhead's holds fund-raiser for Habitat for Humanity

TORONTO — Aikenhead's, Canada's first warehouse store, recently held a fund-raising dinner at which 400 people each contributed $150. The proceeds from this event, totaling $30,430.23, were presented last week to Habitat for Humanity for its work in Canada.

Many of the companies at the fund-raiser, according to a prepared statement, also pledged donations of supplies and/or labor for Habitat projects such as Aikenhead House, the organization's first project in Toronto, that is under construction on the east side of the city.

"When Aikenhead's became our sponsor, we had no idea they'd act this quickly," said Wilmer Martin, president of Habitat for Humanity Canada, about the retail company which only announced its corporate support of the charity two months ago.

HomeBase parent files for public offering

NATICK, Mass. — Waban Inc., the parent company of HomeBase, filed a registration statement with the Securities and Exchange Commission for a public offering of up to $100 million in convertible subordinated debentures due 2002.

The notes covered in the registration statement, filed last month, are being offered by the company and are convertible into shares of Waban common stock.

The net proceeds of the offering will be used to support the company's expansion program, which primarily includes the acquisition of real estate and construction of new warehouses.

Waban, which also operates BJ's Wholesale Clubs, has granted underwriter Wertheim Schroder & Co., Inc. an option to purchase up to an additional $15 million of notes to cover over-allotments.

As of last month, the registration statement had not yet become effective.

'Change' is what puts the successful indys ahead of the pack

by John Caulfield

NATIONAL REPORT — Kabelin True Value Home Centers knew it was still a player in its market of Michigan City, Ind., when the dreaded Wal-Mart, which had opened a store there a year ago, started comparing its prices with products sold in Kabelin's 50,000-square-foot unit.

"My sister [Kabelin's vp-merchandise, Elizabeth O'Brien, who price-shops the discount giant's store] even took the price comparison sign and put it in her purse" as a momento, recalls Diana Corley, vice president for the three-store retailer based in LaPorte, Ind. "That's when we knew we were a factor."

In another state and virtually another competitive universe is Parker's Do-it, a profitable two-store independent based in Port Arthur, Texas, near Beaumont.

The closest Builders Square or Home Depot is in Houston, 100 miles away, and Payless Cashways, a major presence in Texas, doesn't operate any units nearby. That hasn't made life any easier for Parker's, though—not with McCoy's, Sutherland's, some discounters and a host of independent yards operating in the area that's mostly blue-collar and is plagued by 12.5 percent unemployment.

"People whose house is on fire will call to ask how much your fire extinguishers are," says owner Richard Parker, about the area's price-anxious consumers. "Competition down here is as strong as anywhere in the country, and we've got only ourselves to blame."

You have entered the world of the independent home improvement dealer, where prosperity is measured by how well smaller retailers negotiate land mines of big-chain competitors, thin margins and fickle customers.

It's a world where any appreciable increase in overhead expenses can spell financial doom, where competitive viability often hinges on one's affiliation with a co-op and where "independence" itself means different things to different dealers.

Yet, despite all the hazards in the market, the independent remains a vital force in the home improvement industry.

Niche merchandising and marketing, a well-thought-out variable pricing strategy, and attentive customer service continue to be the keys for independents, many of which are also making serious investments in store remodeling, product assortment refinement and, in rare cases, new store expansion.

"A lot of us have matured," says Michael Carty, president of the four-store Butz Building Centers in Palmerton, Pa., which generated $19 million in sales last year. "We used to be fat, dumb and happy and were reacting to the market instead of acting. That's changed."

'Sticking to knitting'

The following special section examines how five independents are adapting to very unique market situations (*see contents*). One has scaled back unprofitable products; another is coping with the sudden death of its energetic president; still another was forced to make adjustments to unforeseen market forces.

"Change" is what separates successful and unsuccessful independent retailers. But change is often in the eye of the beholder, especially among independents that have been in the same market for more than a century and thrive on being a constant, reliable presence in the market for their customers.

"We're sticking to our knitting," insists Fred Sachs, general manager and vice president of Smoot Lumber, a stalwart in the Alexandria, Va., market since 1858 that currently faces stiff challenges from other independents as well as Home Depot and Hechinger.

"There's always going to be competition. We've been around for a long time, and we have to stick to what got us here."

(Continued on page 32)

Photo courtesy of Smoot Lumber

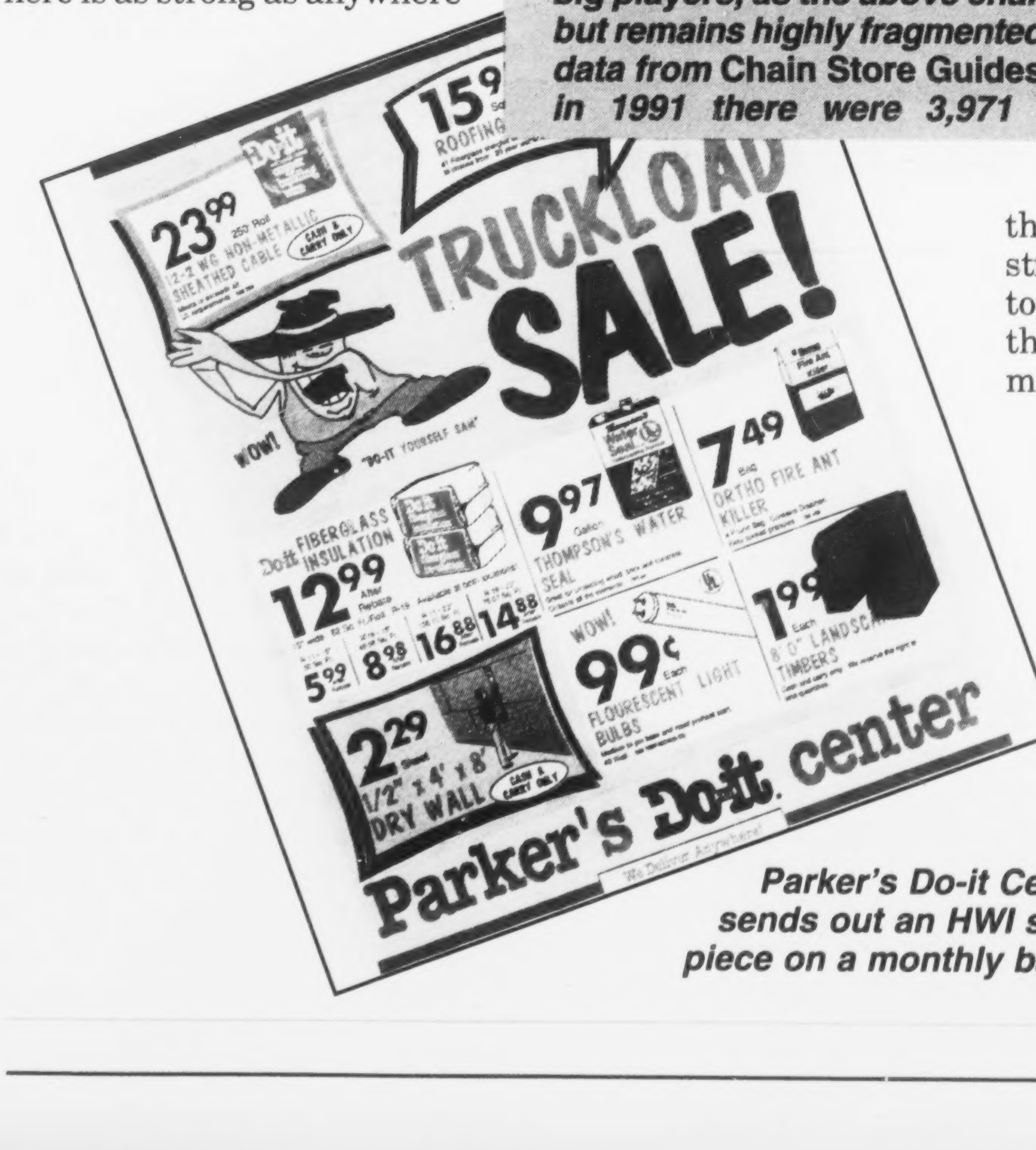
Smoot Lumber's showroom boasts a display of more than 700 molding profiles.

The Top Independent Dealers in 1991

Companies among the industry's top 500 with five or fewer stores

	Company	Sales ($ Mil)	Stores	Total Showroom Sq. Ft.	Employees
1	Builders Discount, No. Hollywood, Calif.	70	4	500,000	220
2	National Home Center, Springdale, Ark.	70	5	213,000	520
3	Scherer Brothers Lumber, Brooklyn Park, Minn.	70	2	10,000	275
4	Lyman Lumber, Excelsior, Minn.	70	3	75,000	150
5	Star Lumber & Supply Co., Wichita, Kan.	63	4	90,000	475
6	Blackstone Co., East Brunswick, N.J.	55	4	100,000	200
7	City Mill, Honolulu, Hawaii	53	5	225,000	420
8	Henry Bacon Building Materials, Issaquah, Wash.	52	5	80,000	350
9	Brown-Graves Co., Akron, Ohio	52	4	60,000	200
10	Ganahl Lumber, Anaheim, Calif.	52	3	50,000	250
11	San Lorenzo Lumber, Santa Cruz, Calif.	51	5	15,000	240
12	Goodman Lumber, San Francisco	50	4	210,000	250
13	Hamilton Lumber & Home Center, Hamilton, Mich.	50	3	75,000	60
14	Bellevue Builders Supply, Schenectady, N.Y.	48	1	42,000	195
15	Fox Home Center, Chicago	47	4	20,000	100
16	H.P.M. Building Supply, Hilo, Hawaii	47	5	21,600	240
17	Bison Building Materials, Houston	46	4	6,000	375
18	Riverhead Building Supply, Riverhead, N.Y.	46	4	15,000	180
19	Builders Supply, Omaha, Neb.	42	1	20,000	200
20	Big Tin Barn, Conroe, Texas.	42	5	9,000	110
21	Causeway Lumber, Ft. Lauderdale, Fla.	42	2	8,350	215

The independent universe has several big players, as the above chart indicates, but remains highly fragmented. The latest data from* Chain Store Guides *show that in 1991 there were 3,971 companies selling home improvement products out of one store, 968 companies operating only two stores, 353 operating only three, 200 operating four and 99 operating five units each.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Parker's Do-it center
We Deliver Anywhere!

Parker's Do-it Center sends out an HWI sales piece on a monthly basis.

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Independents dealers need more than loyalty to retain the patronage of customers in face of the home center onslaught.

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Employee expertise a key asset for success

(Continued from page 27)

Nevertheless, Smoot, which got about 20 percent of its $17 million in sales last year from retail transactions, has established some niches that help it compete. For example, its operation—a 15,000-square-foot showroom and 100,000-square-foot drive-through warehouse—features more than 700 profiles of molding, which Sachs claims is the largest assortment available in the market.

It also maintains a custom mill manned by 10 bench mechanics.

Frierson Building Supply, a $23 million independent, has been serving the Jackson, Miss., market for more than 30 years. "We've been here a long time, and our customer relationships are based on a lot of tradition," says Kimberly Salter, director of advertising for Frierson, whose main competitors are Lowe's, Sutherland's and 84 Lumber.

But within the context of that tradition, Frierson, which also operates a millwork shop, last year developed a prefabricated cabinet department whose inventory is supplied by Kitchen Kompact and Kemper. And this summer, the company is building a deck display next to a "Bargain Center" shed outside the store where closeouts and seconds have been sold.

Service an advantage

One thing independents don't want to change is the perception of their stores as places to go for assistance.

All the independent dealers contacted for this article say the expertise of their employees is their single greatest advantage over big chains, which independents still describe as mostly impersonal and faceless shopping environments with little help to shoppers.

"Our personnel is our greatest strength, and we've become a lot more attentive to the customer," states Butz's Carty, who adds that his employees have even forsaken pay raises during tough times.

Smoot Lumber, with 70 employees, also points to its customer service as the reason why customers keep coming to its stores. "We're selling building materials and service, and in metro D.C. you can go to any number of dealers for product," advises Sachs.

Part of that service orientation includes holding how-to clinics in its stores and stressing clinics "instead of price" in its advertising, explains Sachs. In the spring, the company runs a clinic every other week.

Experimenting, cautiously

When independents experiment with new services and programs, though, their margin for error is usually much smaller than the big chains, which tends to make them a bit more cautious.

For example, a few years ago, Butz Building Centers developed a five-person outside sales team as a way of attracting more contractor business in a market where its stores compete against 84 Lumber, Triangle Building Centers and Hechinger.

Outside selling, though, "has pros and cons," says Carty, the company's president. "It did produce incremental sales. But it's very difficult to qualify a customer; contractors have cash-flow problems, too. We've been very careful and have even turned away good customers."

Before deciding to commit funds for a computer system

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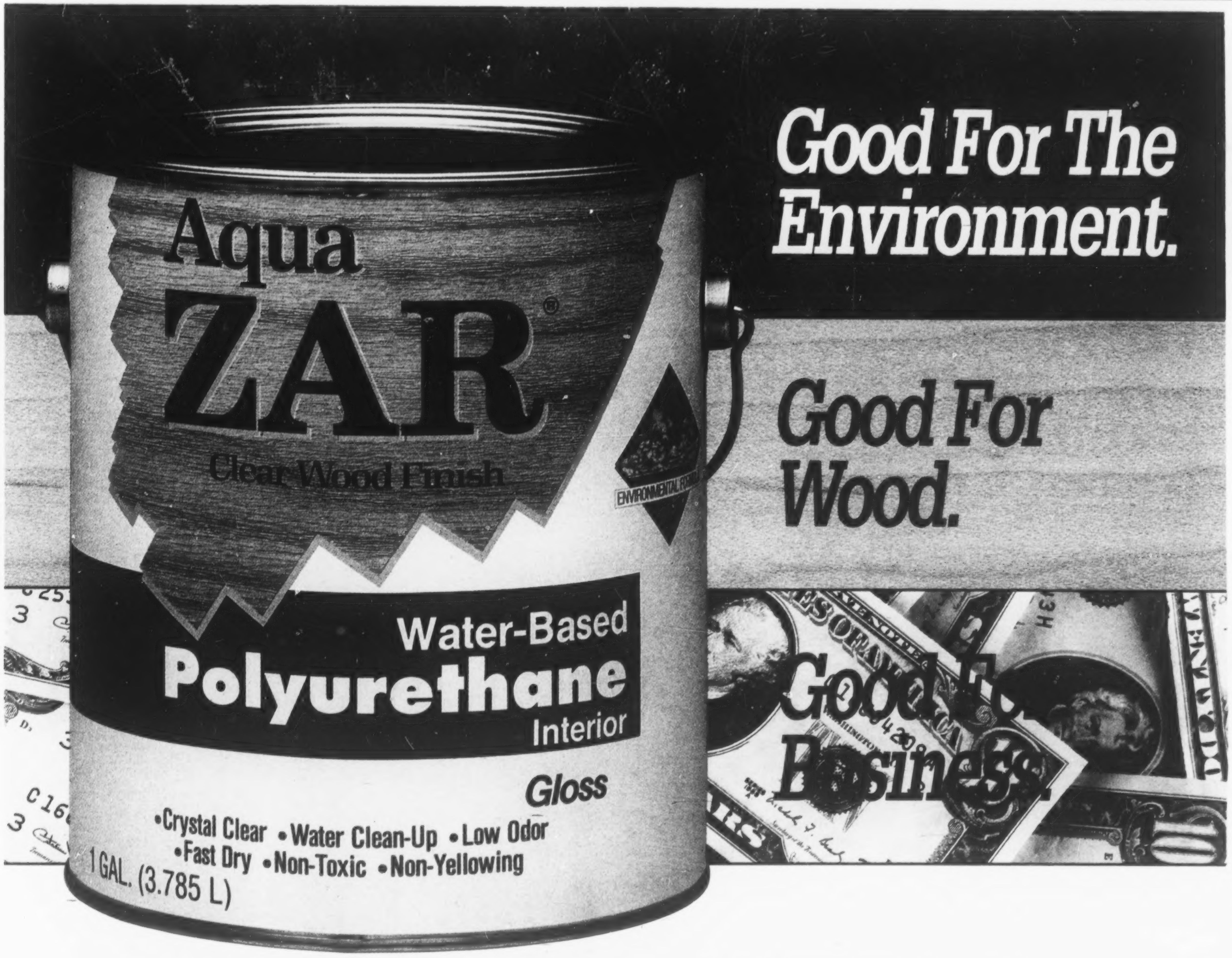

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